

NARM Consumer Research Initiative Phase One: Consumer Profiles & Retail Experience

Prepared for:

National Association of
Recording Merchandisers

March 2006

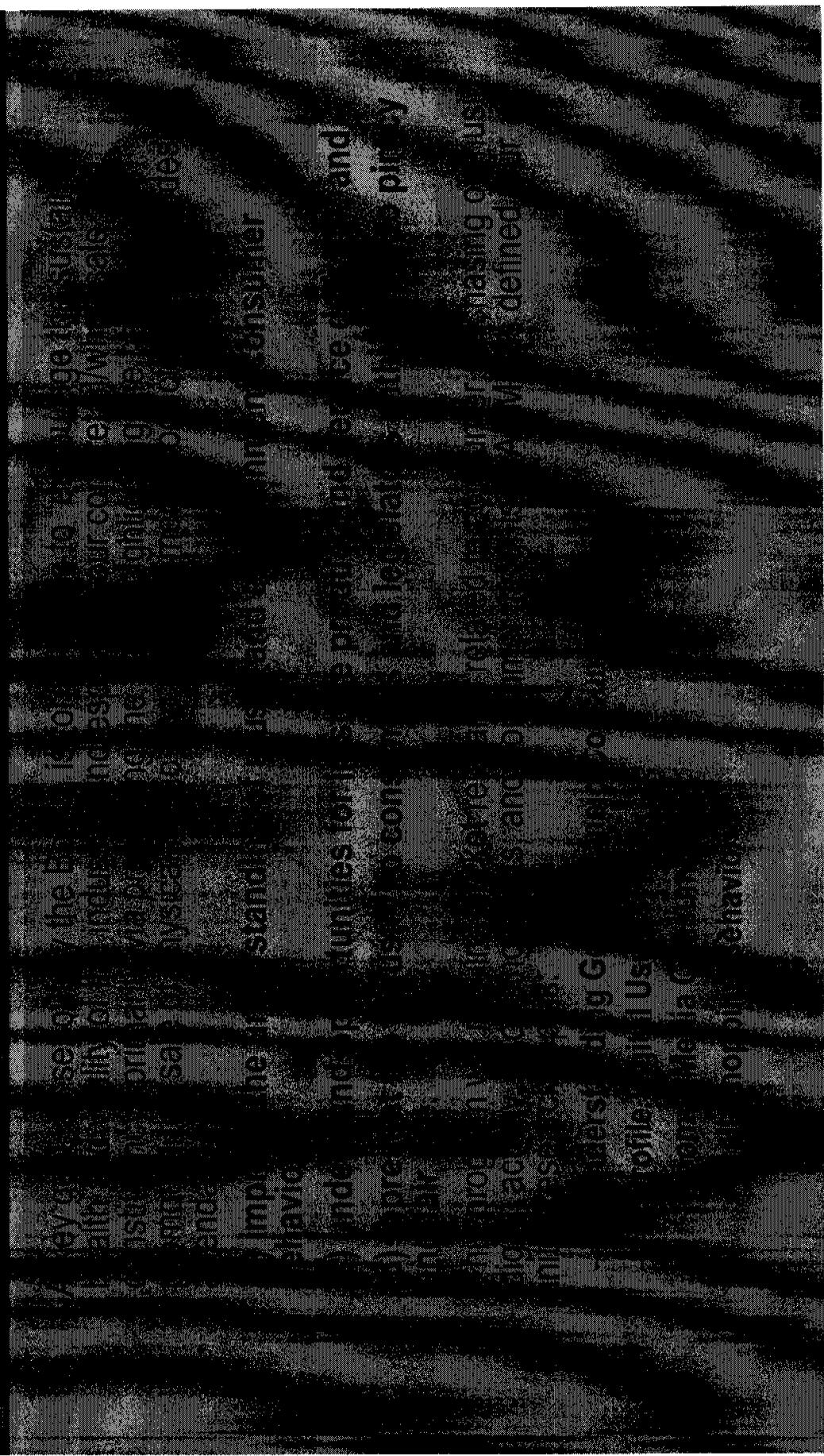


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BEHIND EVERY BUSINESS DECISION

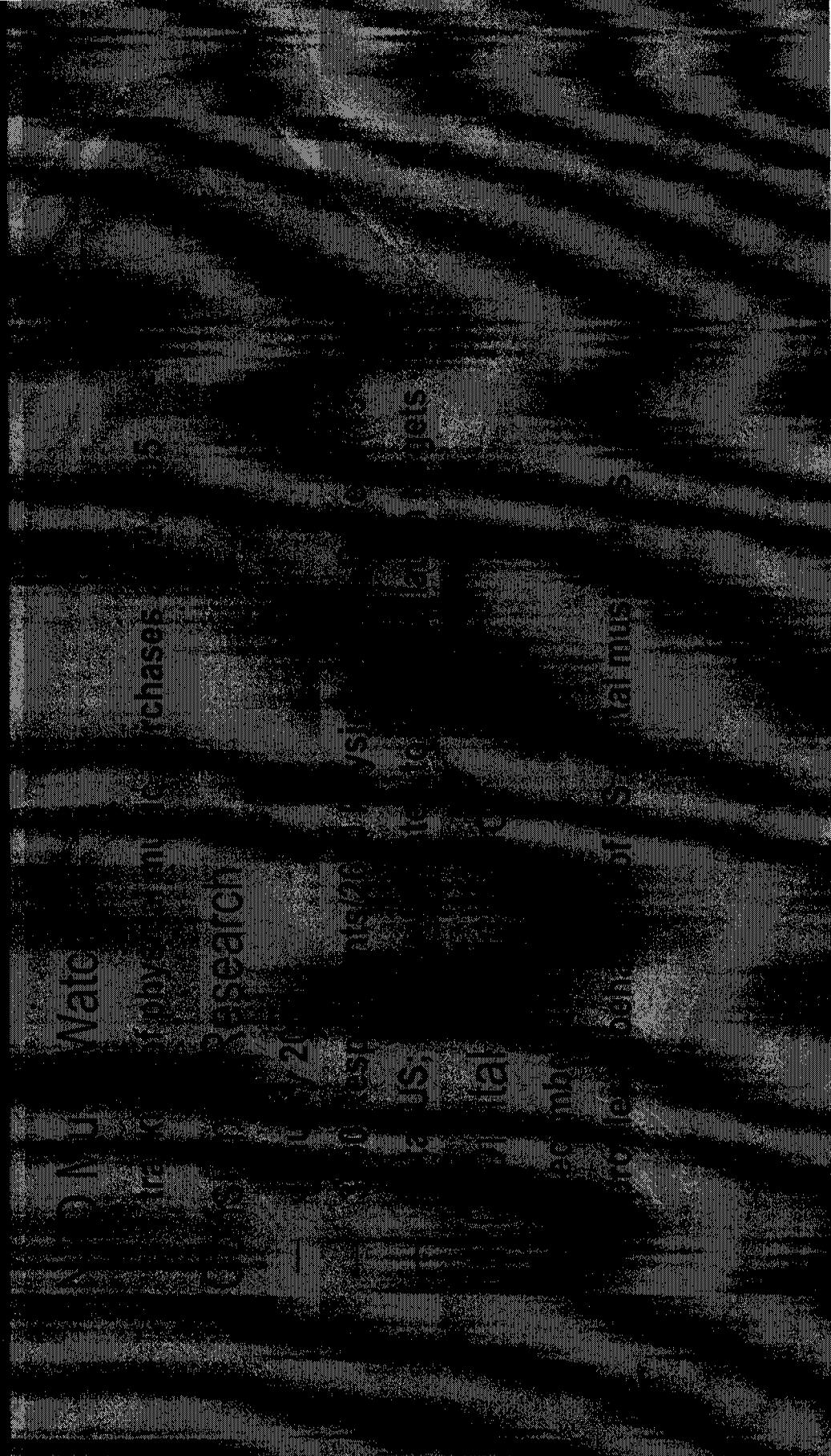
Background



BEHIND EVERY BUSINESS DECISION

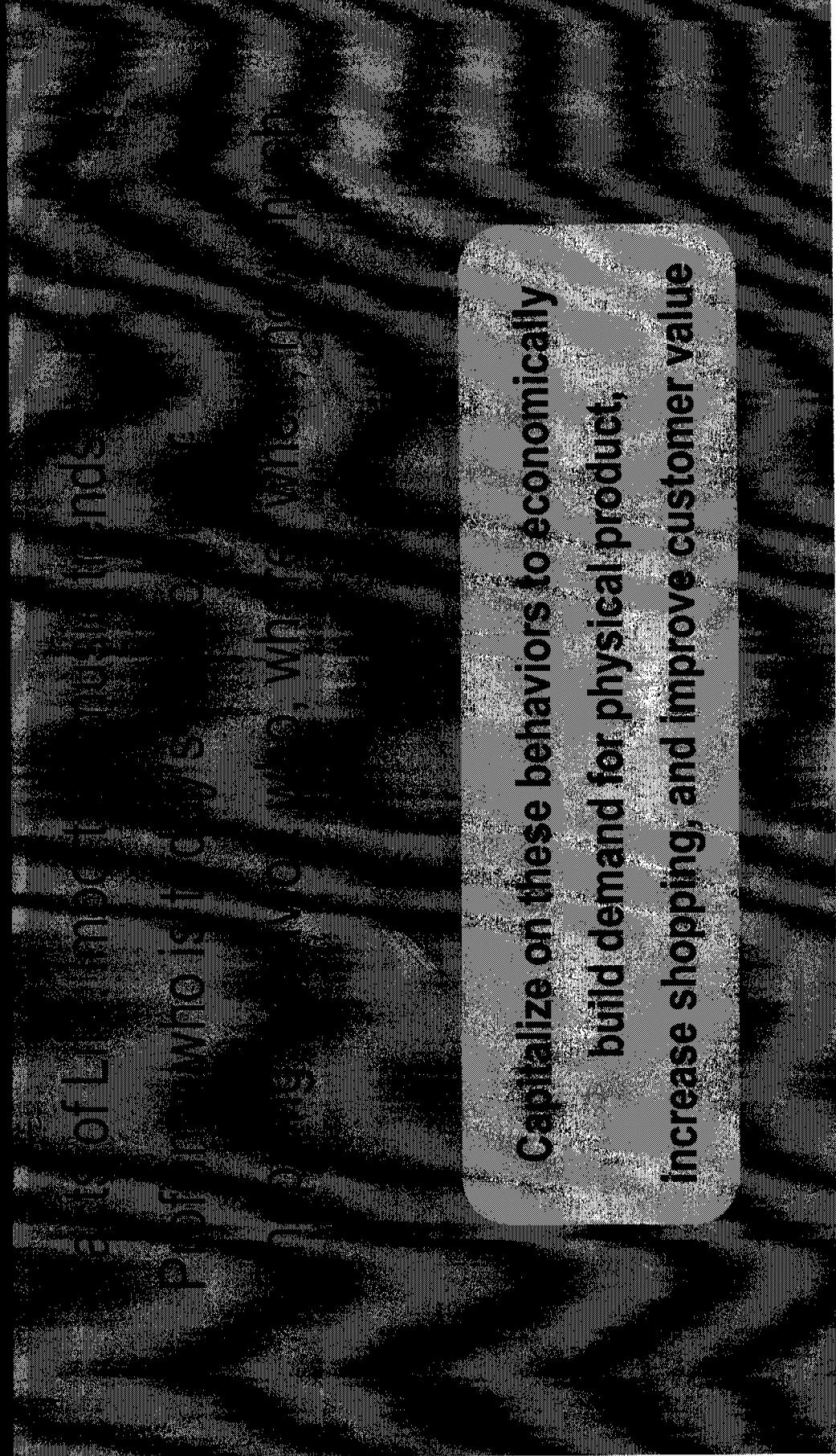
S&P
Global

Methodology: Primary Resources



CPP
Group

Agenda



- Capitalize on these behaviors to economically build demand for physical products,
- Increase shopping, and improve customer value

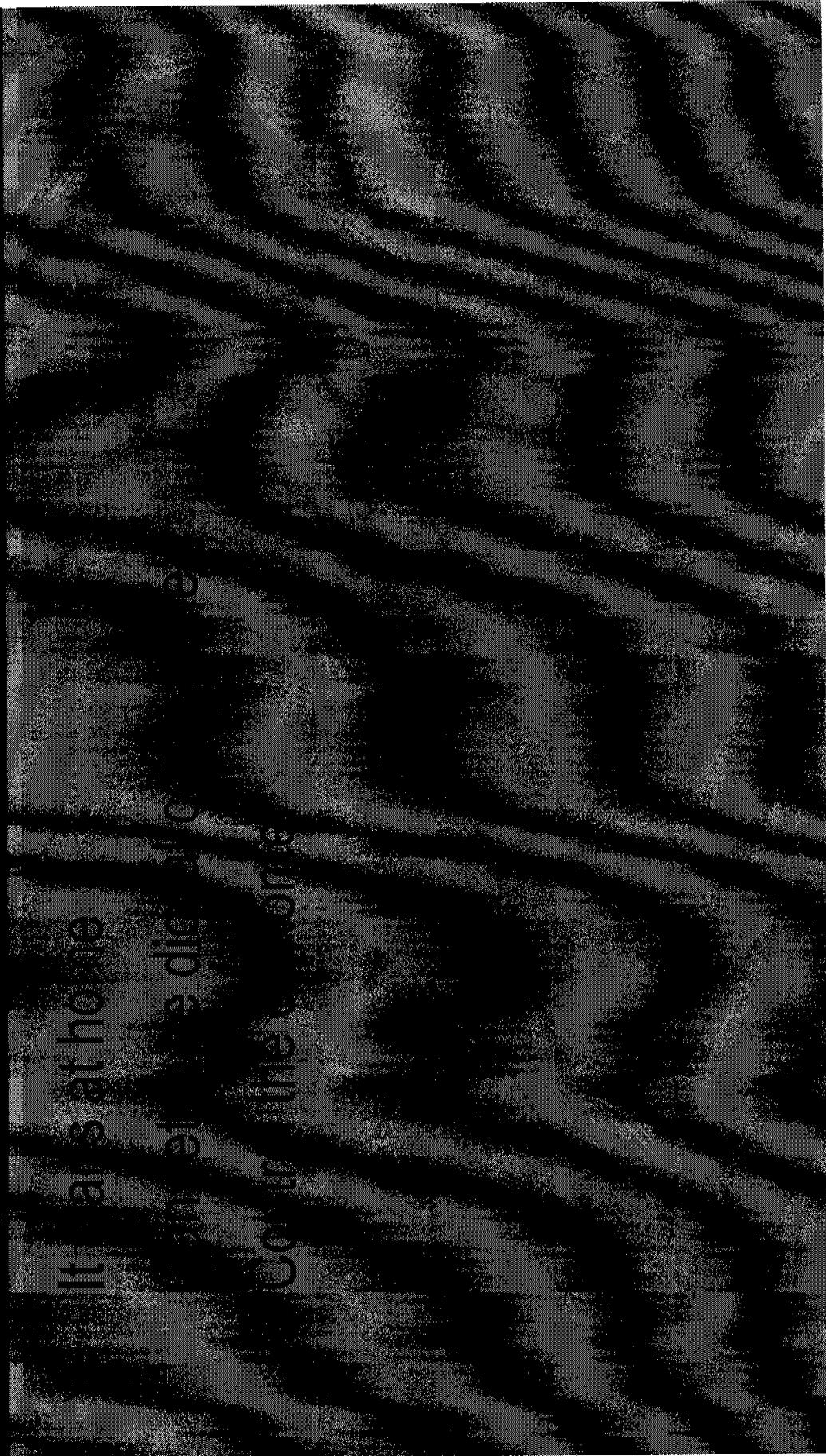
Key Learning: Very Macro Level



CLOUD
GROUP

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Key Learning



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It starts at home not in the store



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Don't be a digital alternative



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If you can't control content, control the customer



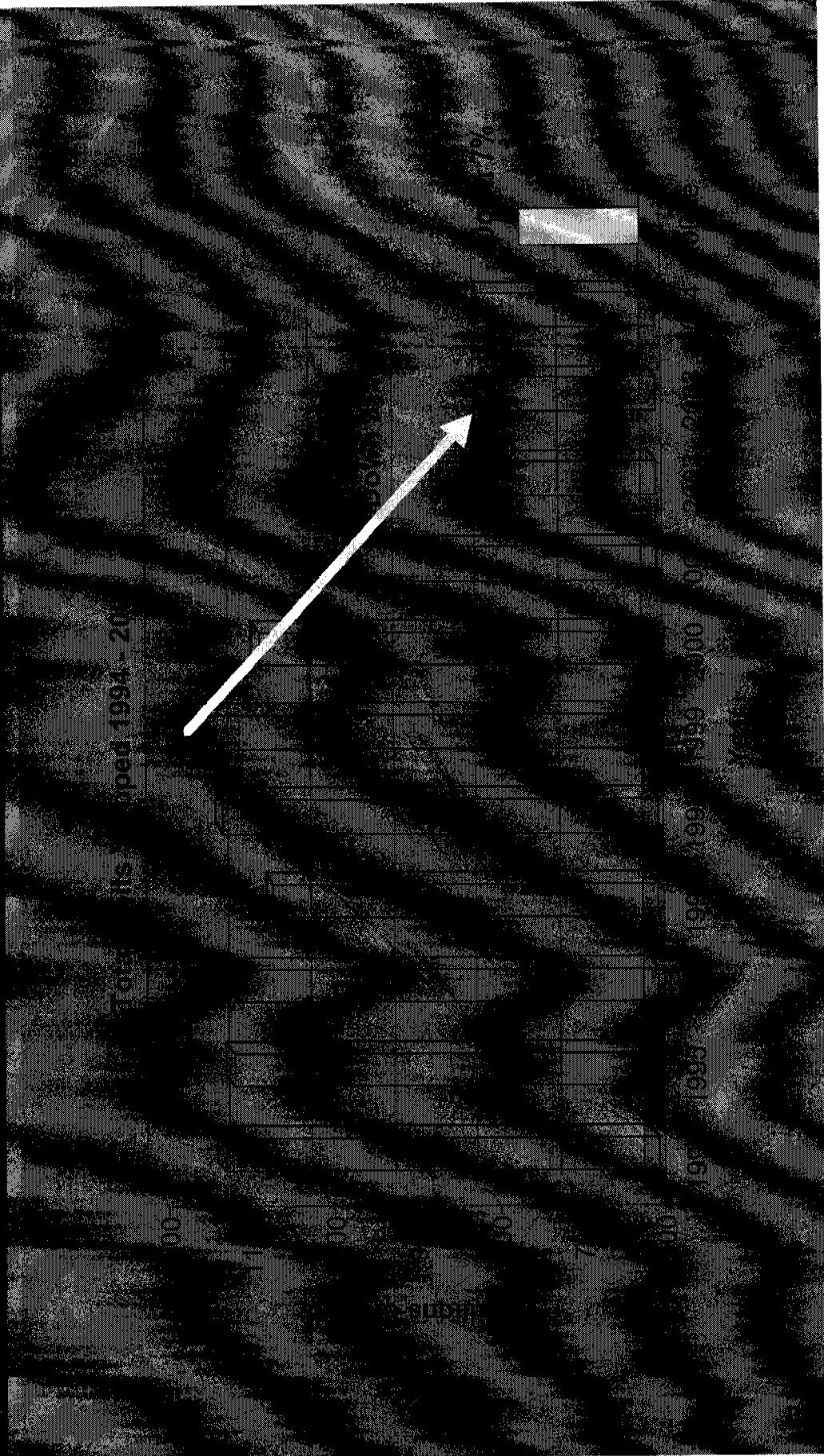
CDP
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If you can't control content, control the customer

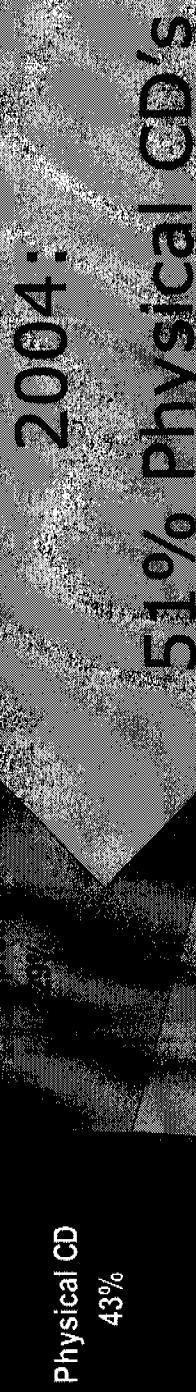
There are conservative scenarios where we could
grow physical sales by 6-8%

The 00's Have Been Unkind.
Shipments Are off by One-Third Since Peak Year of 1999
Expect ~7-8% Drop for 2005



Technology and Attitudes Radically Changing the Music Landscape

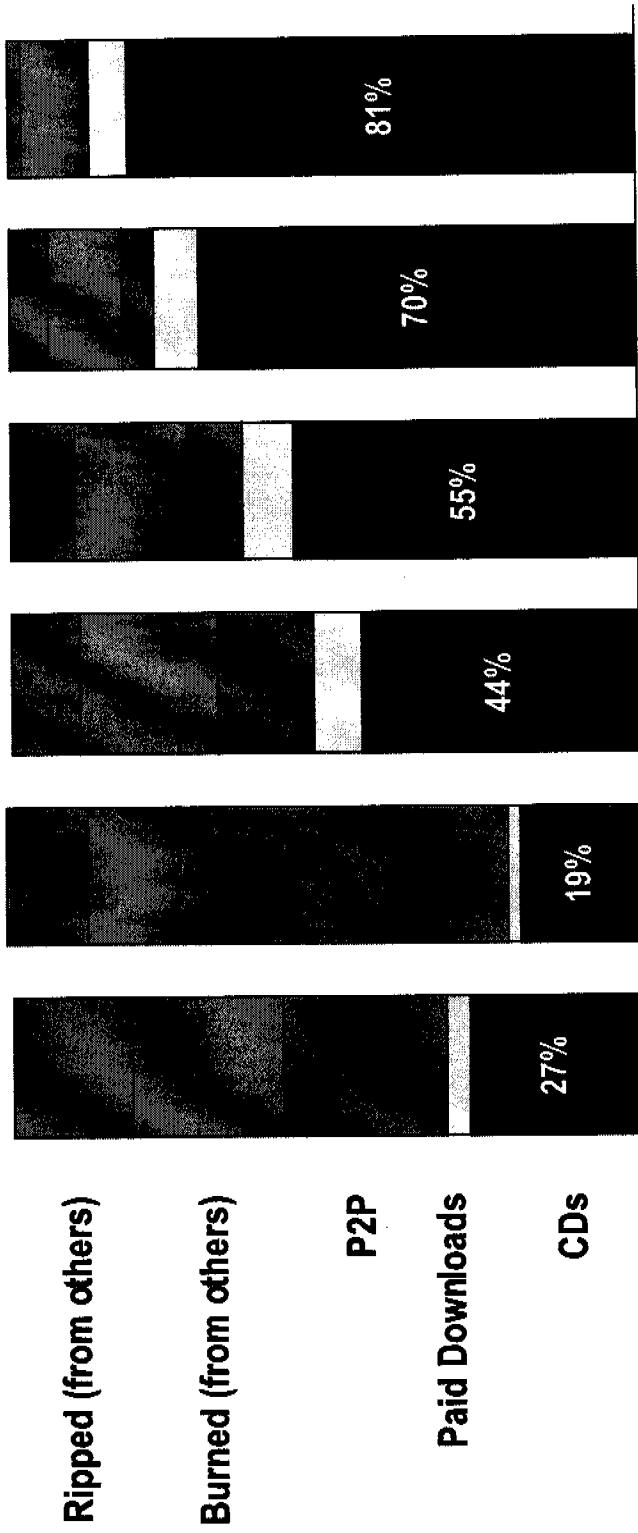
How Music Was Acquired In The Past 12 Months (Dec 2005)



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Physical Sales Off But Music Consumption Is Up 12%—mostly through unpaid means of acquisition

% Of Music Acquired* (among the US internet population age 13+)



* Equivalent units
(12 songs = 1 unit)

Q3. How many CDs/paid downloads/free downloads/borrowed CD's did you buy/download/burn/rip for yourself in the past 12 months?

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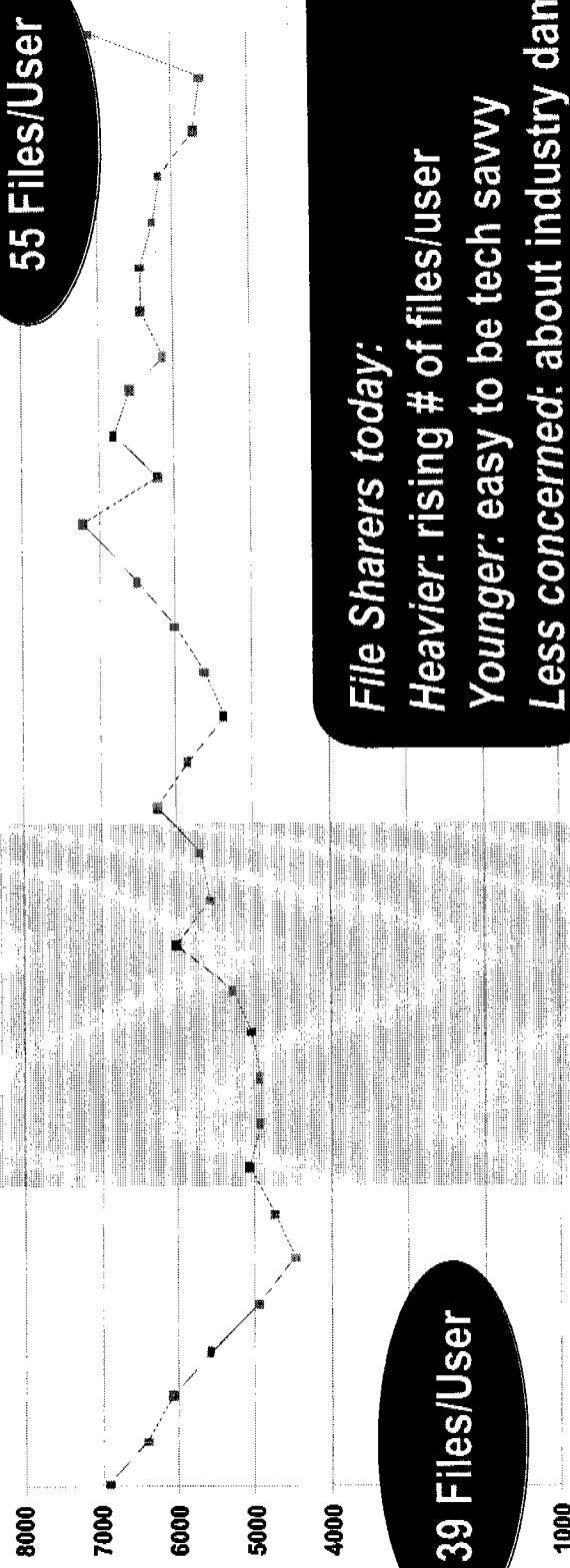
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Source: NPD Digital Music Study December 2005 (US Internet Pop. Age 13+)

13

P2P Users Are Becoming More Hard Core, and Hard Boiled

Households Downloading Music Files From Illegal P2P Services



File Sharers today:

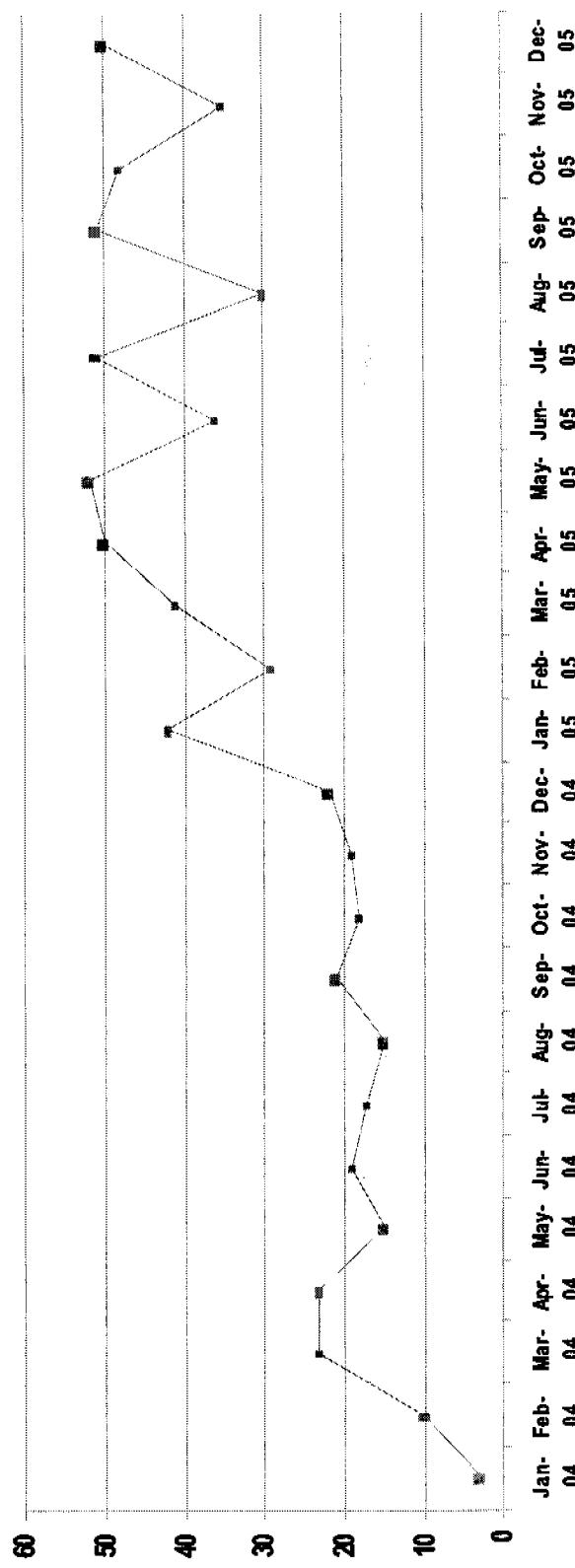
Heavier: rising # of files/user

Younger: easy to be tech savvy

Less concerned: about industry damage

Velocity of Legal Ala Carte Downloading Rising — Sideways

Legal Digital Ala Carte Sales Per 100 Internet Households



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Source: NPD MusicWatch Digital

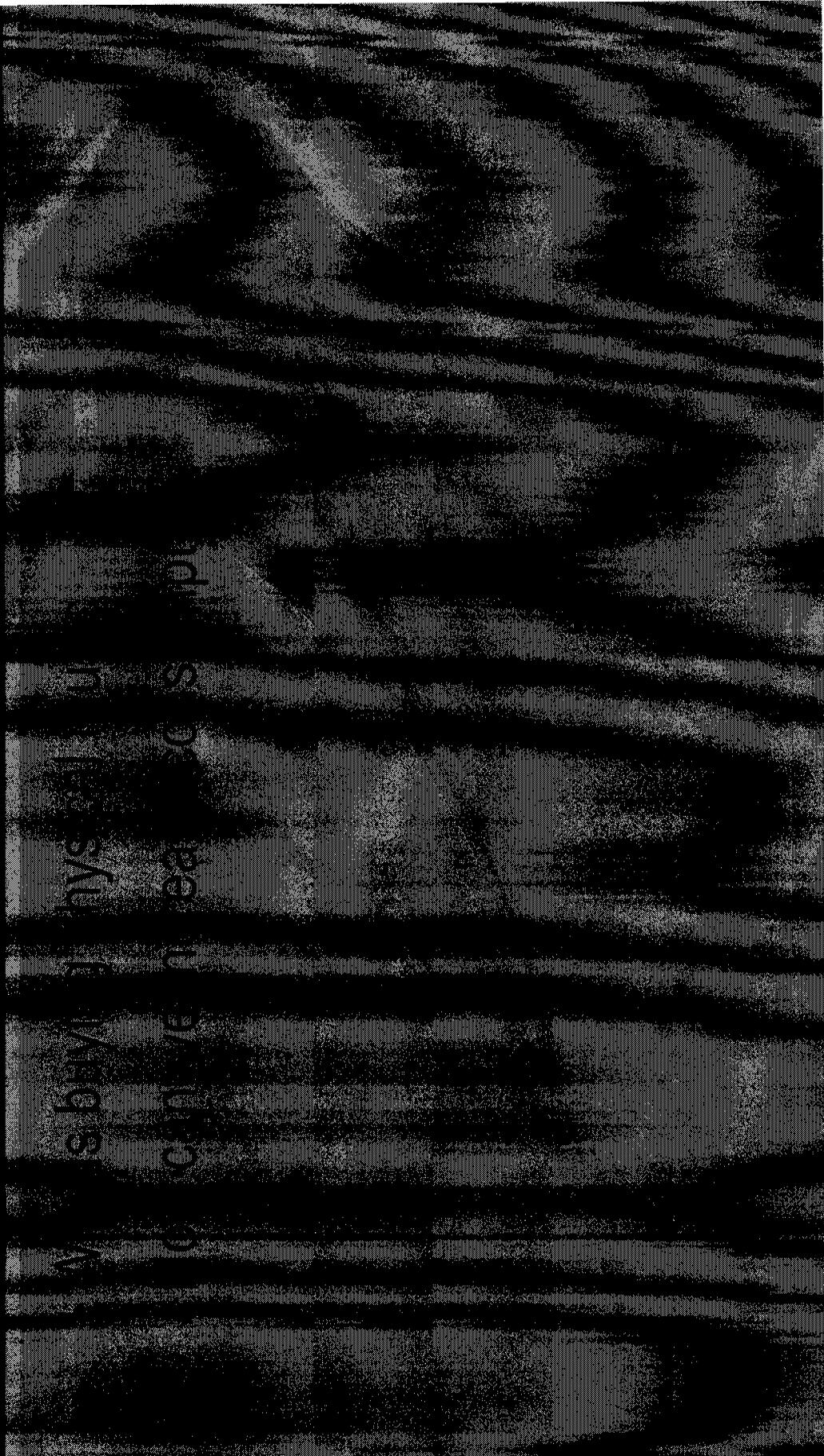
There Is Tremendous Competition for Music Buyers' Time and Money



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Source: NPD VideoWatch

The Physical Music Profile

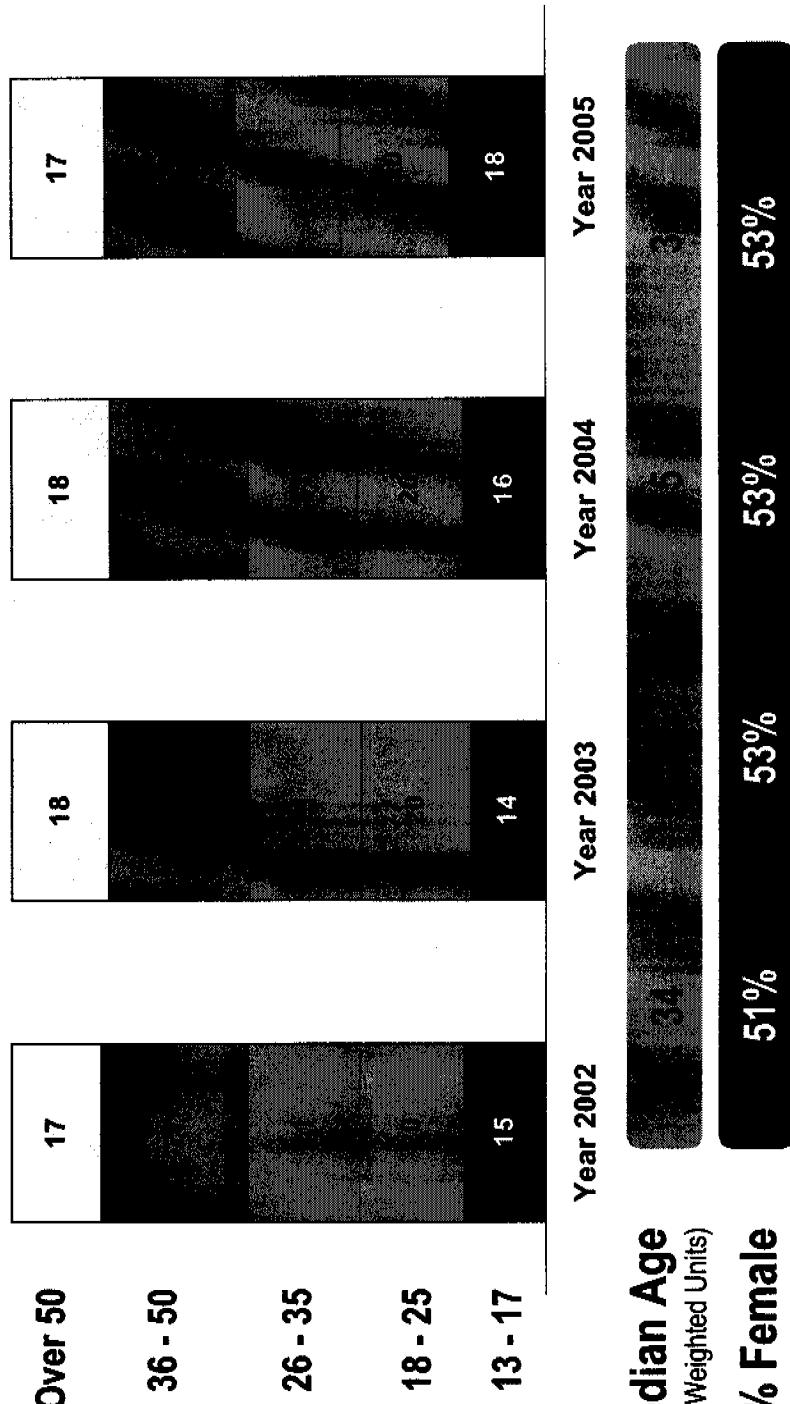


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Teen Share Rebounding...

Unit Share by Age Segment (Full Length)

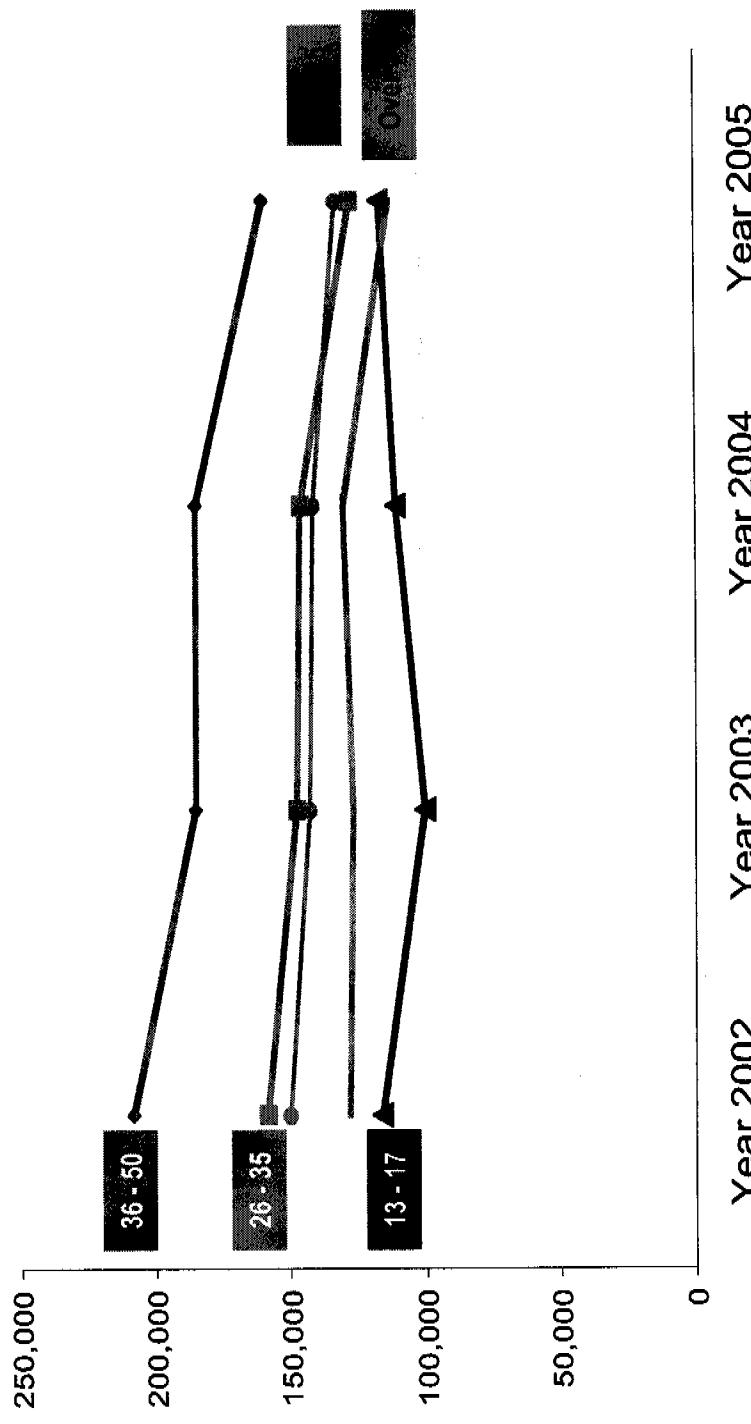


Median Age
(Based on Weighted Units)

% Female
51% 53% 53% 53%

Yet A Chilling Decline in the Trend for 26-35, 36-50 Year Cohorts

Unit Sales Trend by Age Segment



...25-44 Year Segments Shifting Spending From Physical to Digital

Per Capita Music Spending in 2005 (inc. CD's, downloads, subscription)



- 37 Million Fewer CD's vs. '04
- + \$13 Spend on Digital Downloads
- + \$10 Spend on Subscriptions

** See appendix for assumptions used to estimate dollar value

Source: NPD Digital Music Study December 2005

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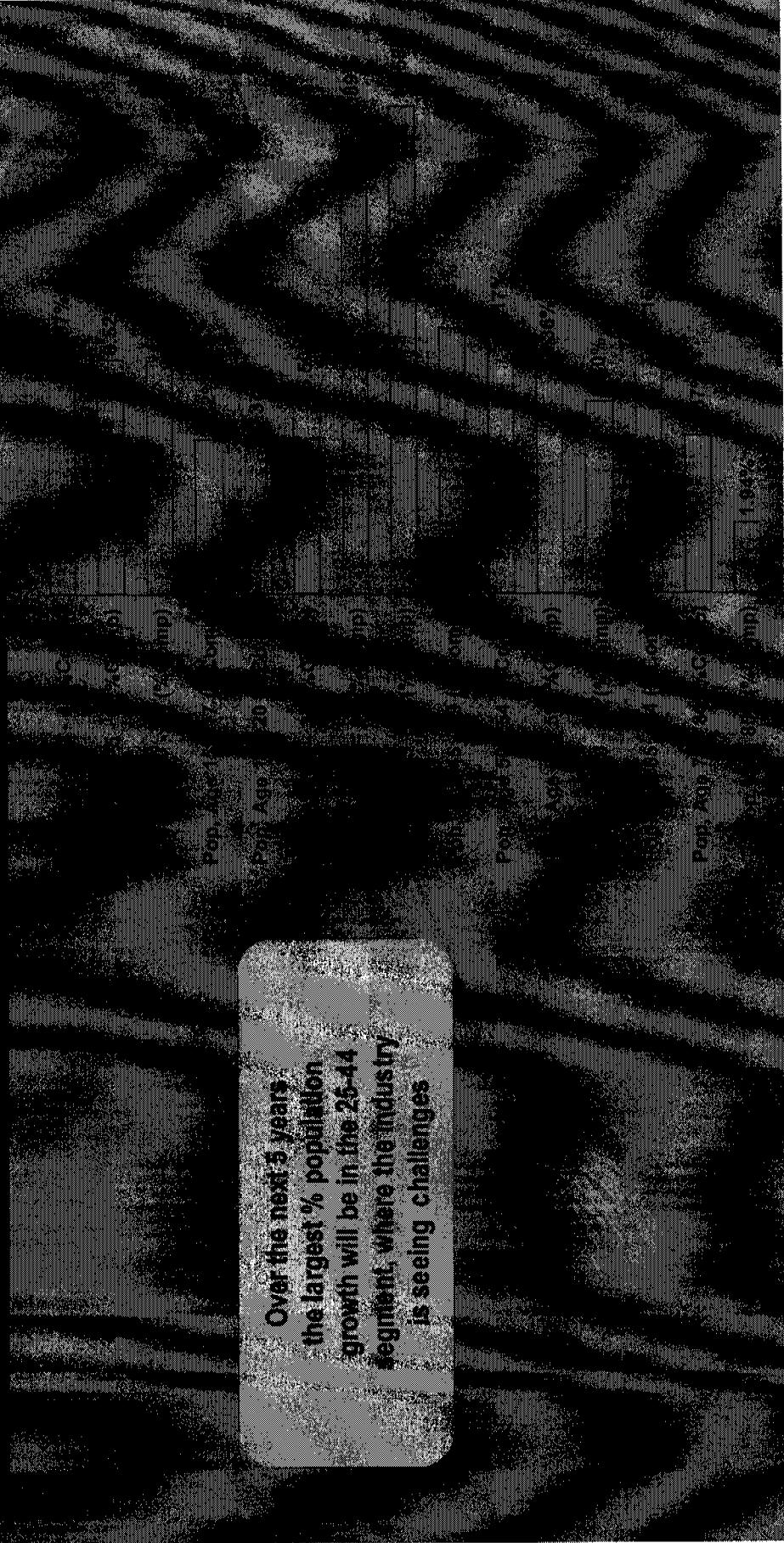
(US Internet Pop. Age 13+)

20

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They're Not Making Music Buyers Like They Used To: Aging of Gen X, and the Boomers

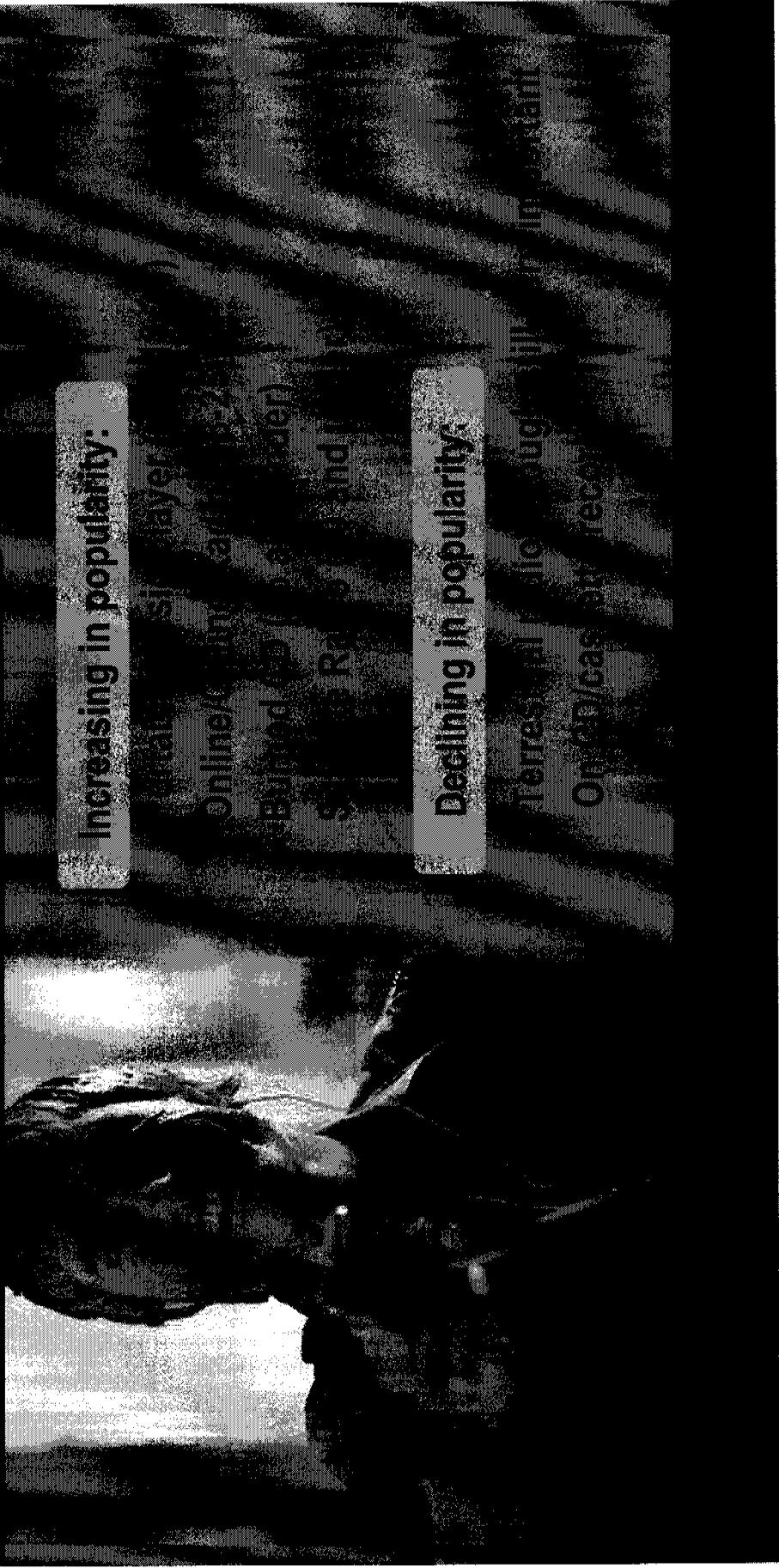
US Pop Growth Trends : Projected to 2010



* Demographic trends courtesy Claritas Corp.

Listening Habits Are Changing Almost Universally

How did you listen to music last week?



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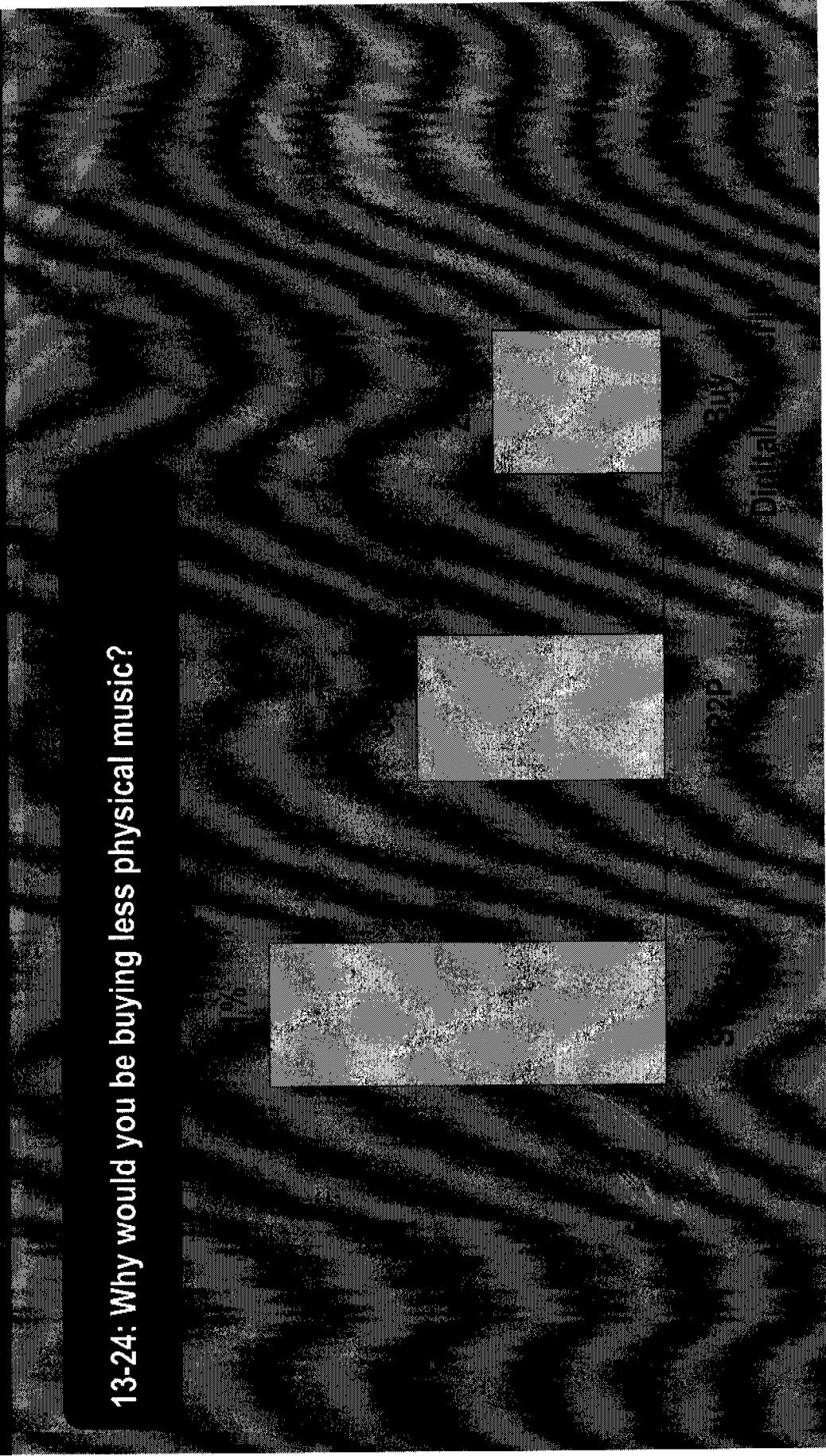
New Listening Habits May be Having Halo Influence on Physical Sales Among Younger Buyers

What influenced you to buy the CD (13-25)?

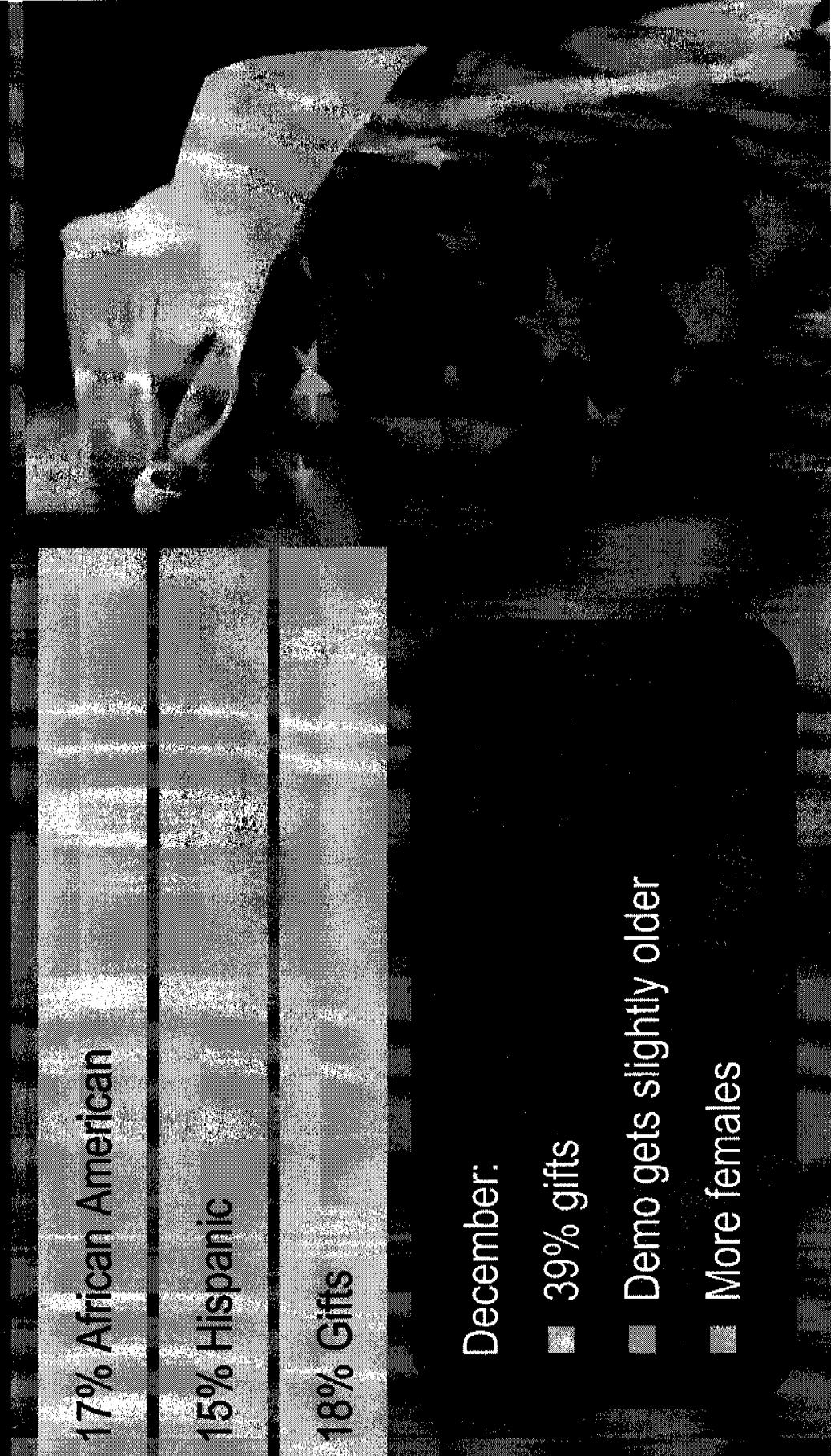


Compared to paid digital, younger consumers twice as likely to blame swapping as a reason for buying less

13-24: Why would you be buying less physical music?



Other Important Elements of the Physical Buyer Profile



Teens: 13-17

17% of Unit Sales

Up 5% V '04, Flat V '02

More
less

Employee
Participation

Employee
Participation

Employee
Participation

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College & Starting Out: 18-25

24% of Unit Sales

Down 11% v '02

**More
Less**

**College
Starting Out**

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Prime Time: 26-35

20% of Unit Sales

Down 19% v '02

More

Less

average price per play

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Families & Growing Up: 36-50

21% of Unit Sales

Down 22% v '02

More
Less



Boomin': Over 50

19% Of Unit Sales

Down 11% v '02

More
Less

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If we know how consumers
behave today, we can
determine what will drive
them in the future?

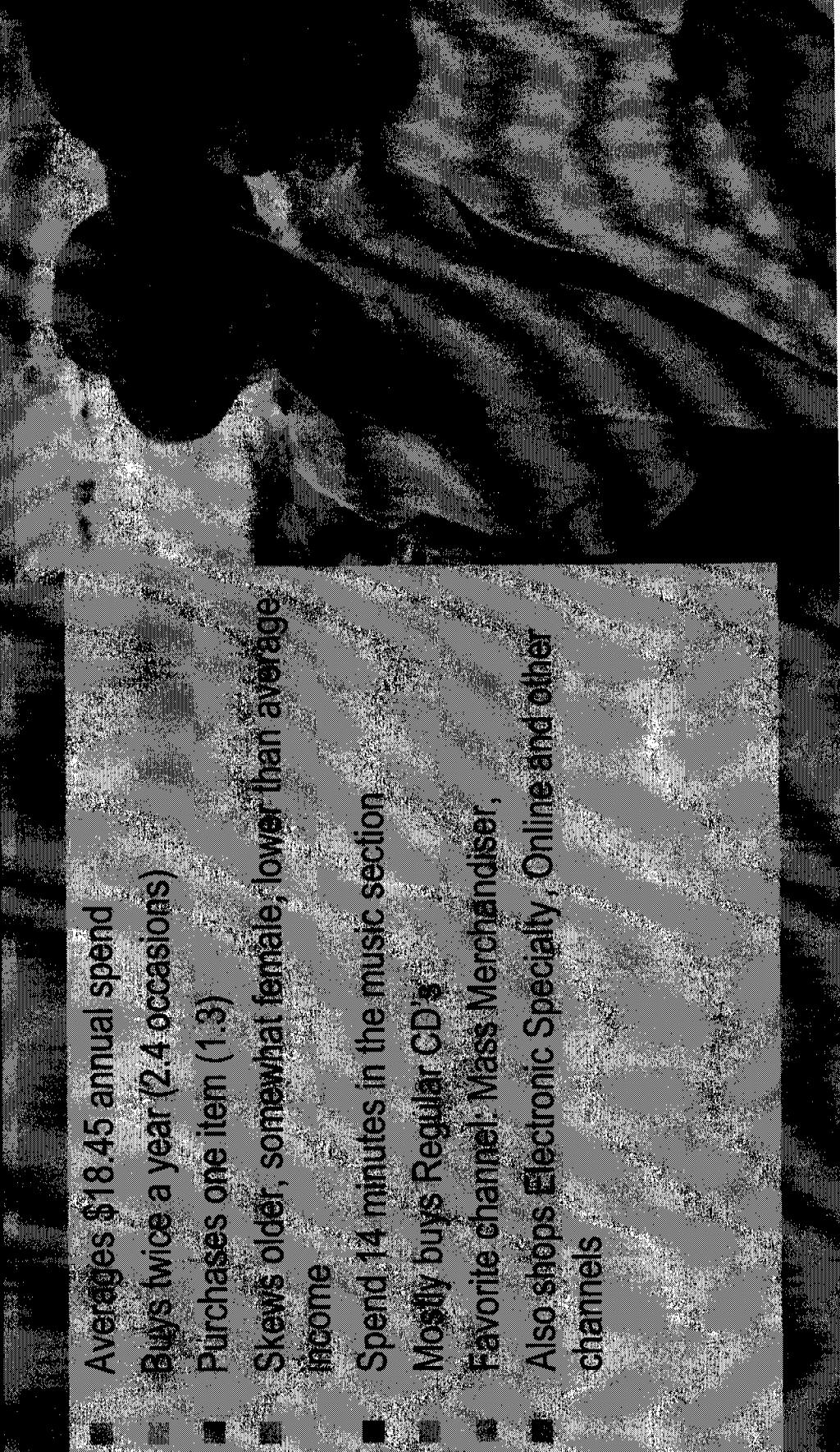
% Buyers



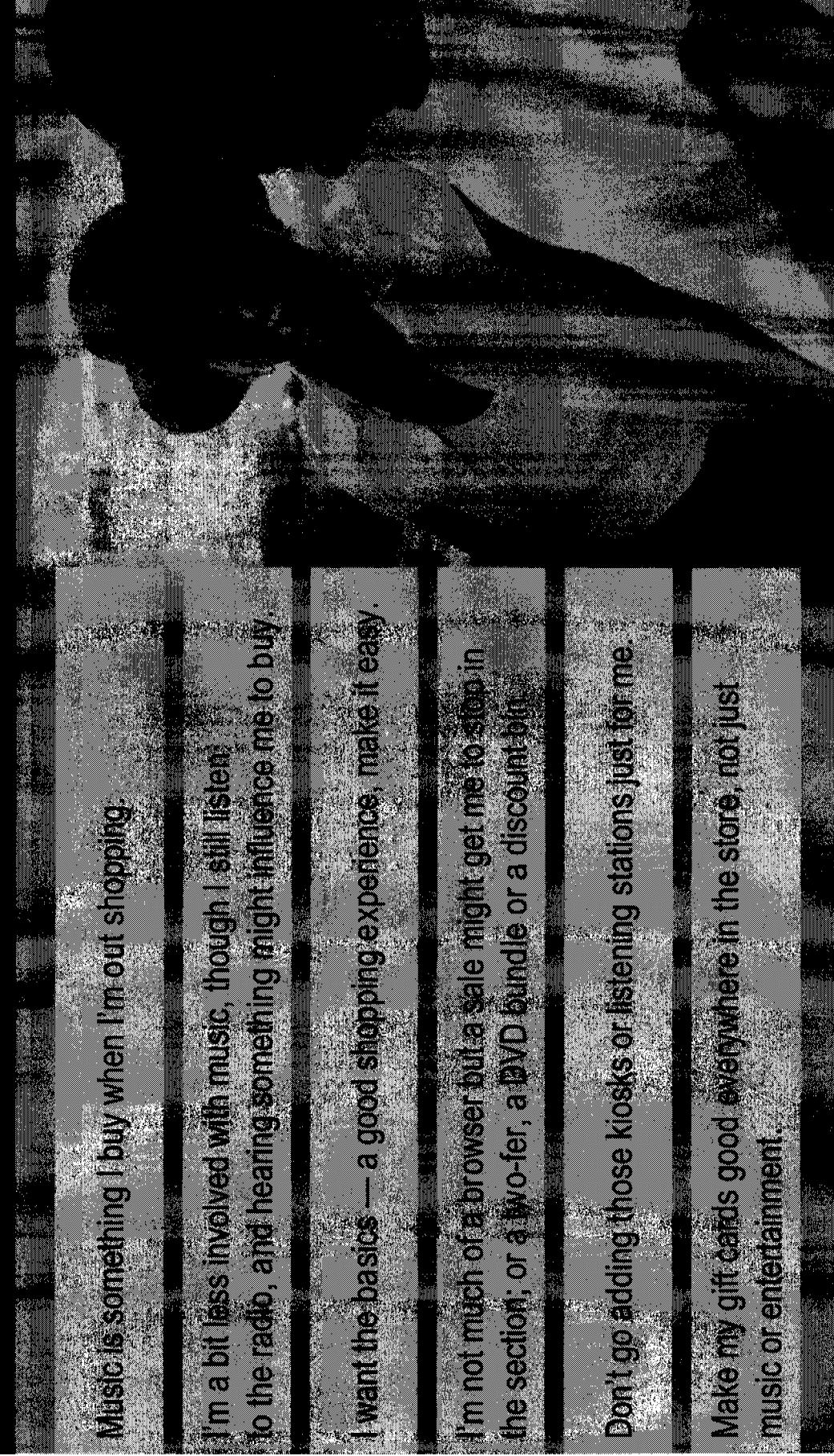
Bypass the Content, Pricing, Guessing Issues

SPD
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The Light Music Buyer

- 
- Averages \$18.45 annual spend
 - Buys twice a year (2.4 occasions)
 - Purchases one item (1.3)
 - Skews older, so-called female, lower than average income
 - Spends 14 minutes in the music section
 - Mostly buys regular CDs
 - Favorite channel: Mass Merchandiser, Also shops Electronic Specialty, Online, and other channels

The Light Music Buyer: Fundamental Needs



Music is something I buy when I'm out shopping.

I'm a bit less involved with music, though. I still listen to the radio, and hearing something might influence me to buy.

I want the basics — a good shopping experience, that's it really.

I'm not much of a browser but a sale might get me to stop in the section, or a two-for-a-DVD bundle or a discount bin.

Don't go adding those kiosks or listening stations just for me.

Make my gift cards good everywhere in the store, not just music or entertainment.

Medium Buyers: The Average

- Spend \$62.77 on physical music
- Buy music five times/year (4.6 occasions)
- Pick up nearly two units (1.8)
- Spend 19 minutes in the section
- No age skew, but more female and higher income than light buyers. More African Americans
- Modest digital engagement
- Buy mostly CD's, but ECD, CD/DVD, DVD too
- Mass dominant music shoppers
- Also Electronics, Online and occasionally elsewhere

Medium Buyers: Fundamental Needs

I'm your average shopper but my music tastes are similar to the light buyer.

I may be new to digital music, or I'm just less interested than those heavy buyers. It hasn't hit me-yet.

I also want to sample for other items. When I shop for music it's about finding what I want in a section that's well organized with a great selection- and please get me out of the store quickly when I'm done!

I'm here to shop so the coffee bar and CD burning kiosk may not be that appealing. I do like a promotion as much as the other fellows, so sales, promotional bundling and bins would get my attention.

The Heavy Buyer: Music Hedonists!

- Averages \$234 annual spend
- Buys seven times per year
- Purchases three items (2.6) each occasion
- Skews 18-34, more male, above average income
income: higher % African American
- Spend 22 minutes in the music section
- Buys across segments - CDS, DualDisc, ECD,
CD/DVD, Used DVD too
- Favorite channel: Electronic Specialty
... but they buy everywhere, especially supporting local
independents
- Digitally engaged

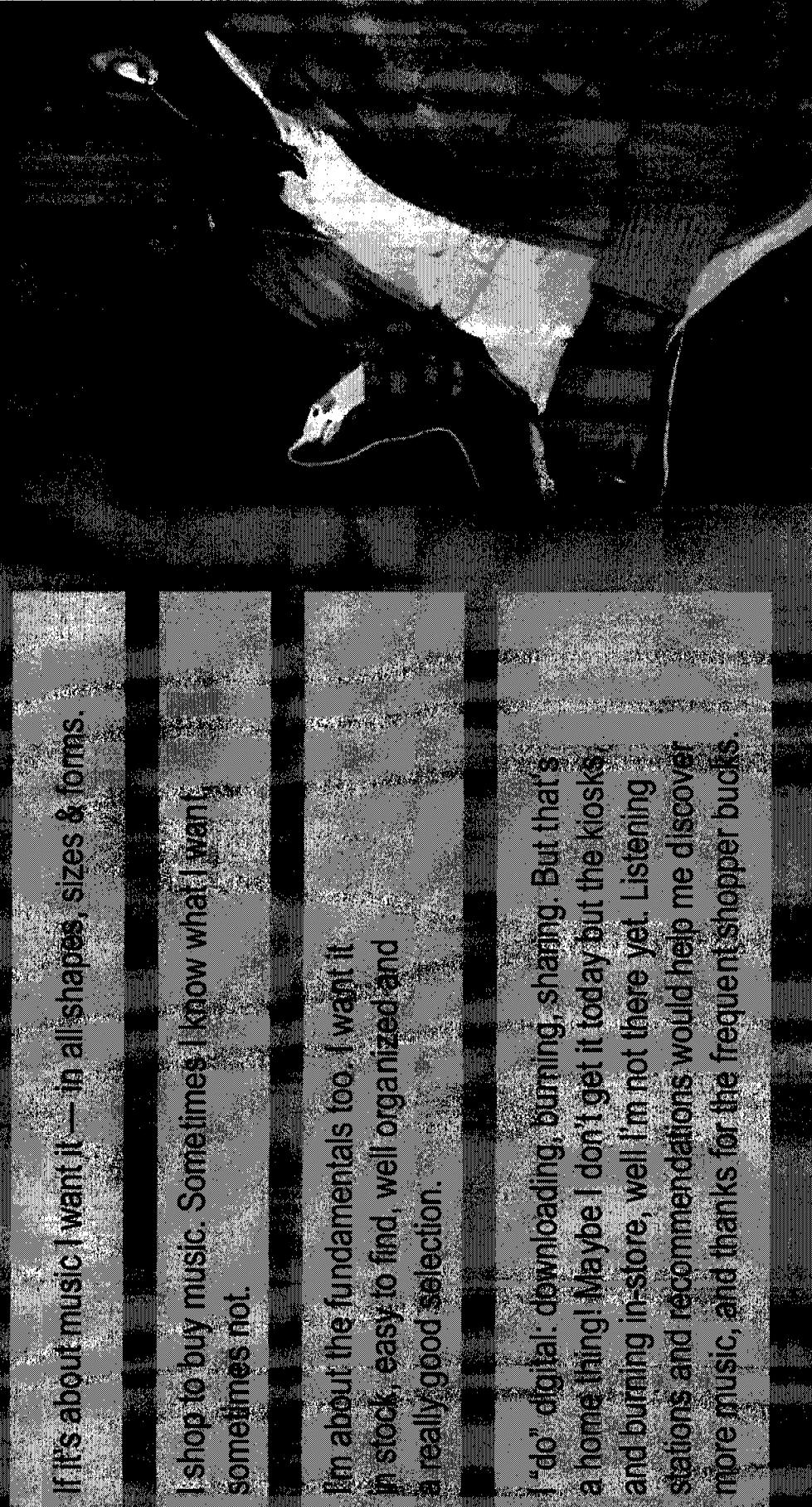
The Heavy Buyer: Fundamental Needs

"It's about music I want! — in all shapes, sizes & forms.

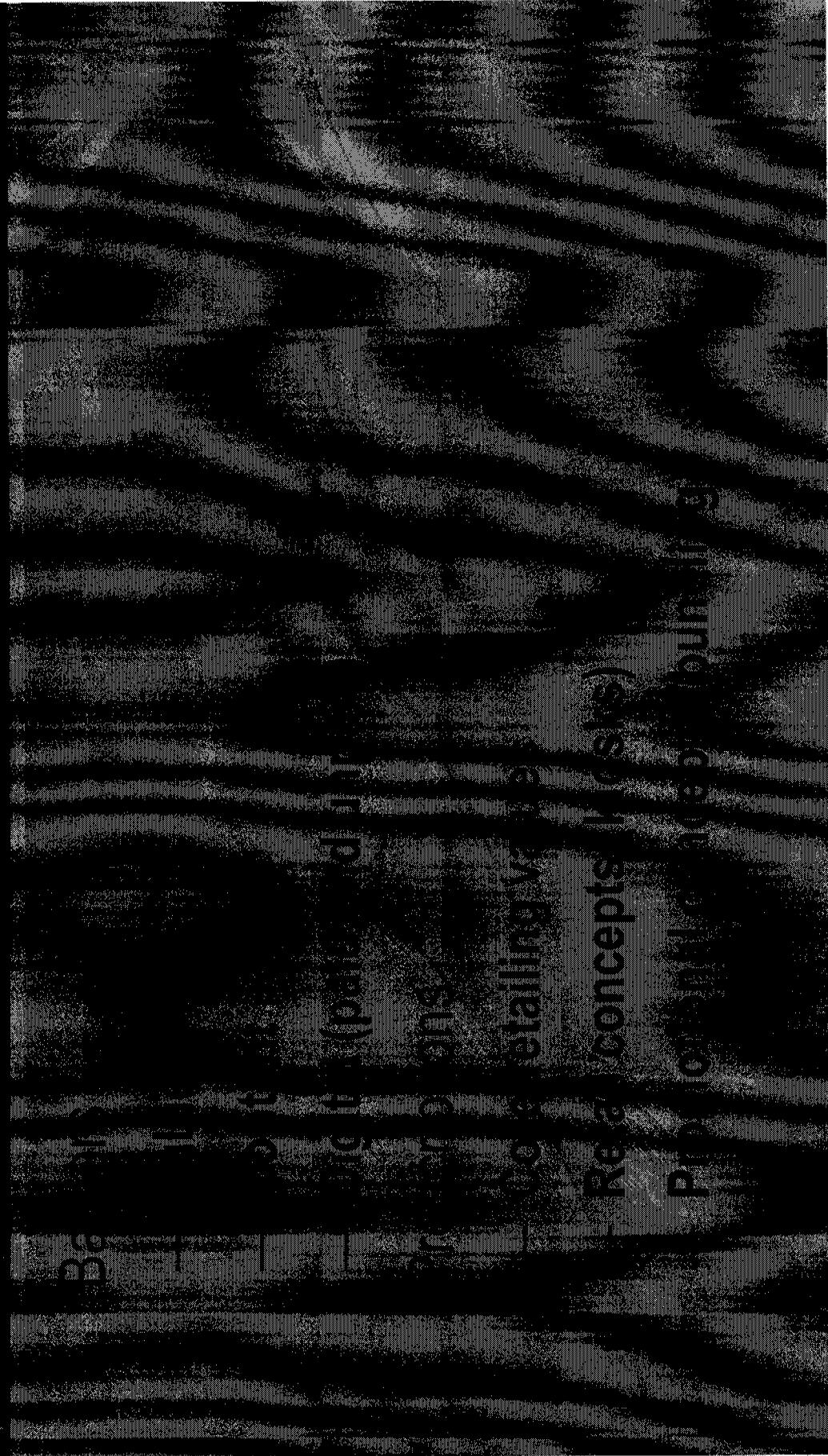
Shop to buy music. Sometimes I know what I want, sometimes not.

I'm about the fundamentals too. I want it in stock, easy to find, well organized and a really good selection.

"I do" digital downloading, burning, sharing. But that's a home thing! Maybe I don't get it today but the kiosks and burning in-store, well I'm not there yet. Listening stations and recommendations would help me discover more music, and thanks for the frequent shopper bucks.



Increasing Consumption



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Reality Check

Consumers consistently cite price as a buying barrier, yet music value is strong and the same as DVD

Consumers persistently complain about the content, i.e. there are only a few good songs and it's never as good as it was in the 60's, 70's, 80's, 90's. Yet they value and shop for favorite artists and prize collectability of physical product.



Why physical? Value, quality content

Physical

- More appealing music available
- iPhone available

More than 100² good songs on a CD

Paid Download

Only 50 unique songs

10 simultaneous purchases

For portable player

Subscription

50 unique songs

10 simultaneous purchases

100 unique recordings (esp. durability)

Physical

- Same spectrum of songs as digital

CD

- Good songs on CD

CD download

50 unique songs

10 simultaneous purchases

For portable player

Subscription

50 unique songs

100 unique recordings

100 unique recordings (esp. durability)

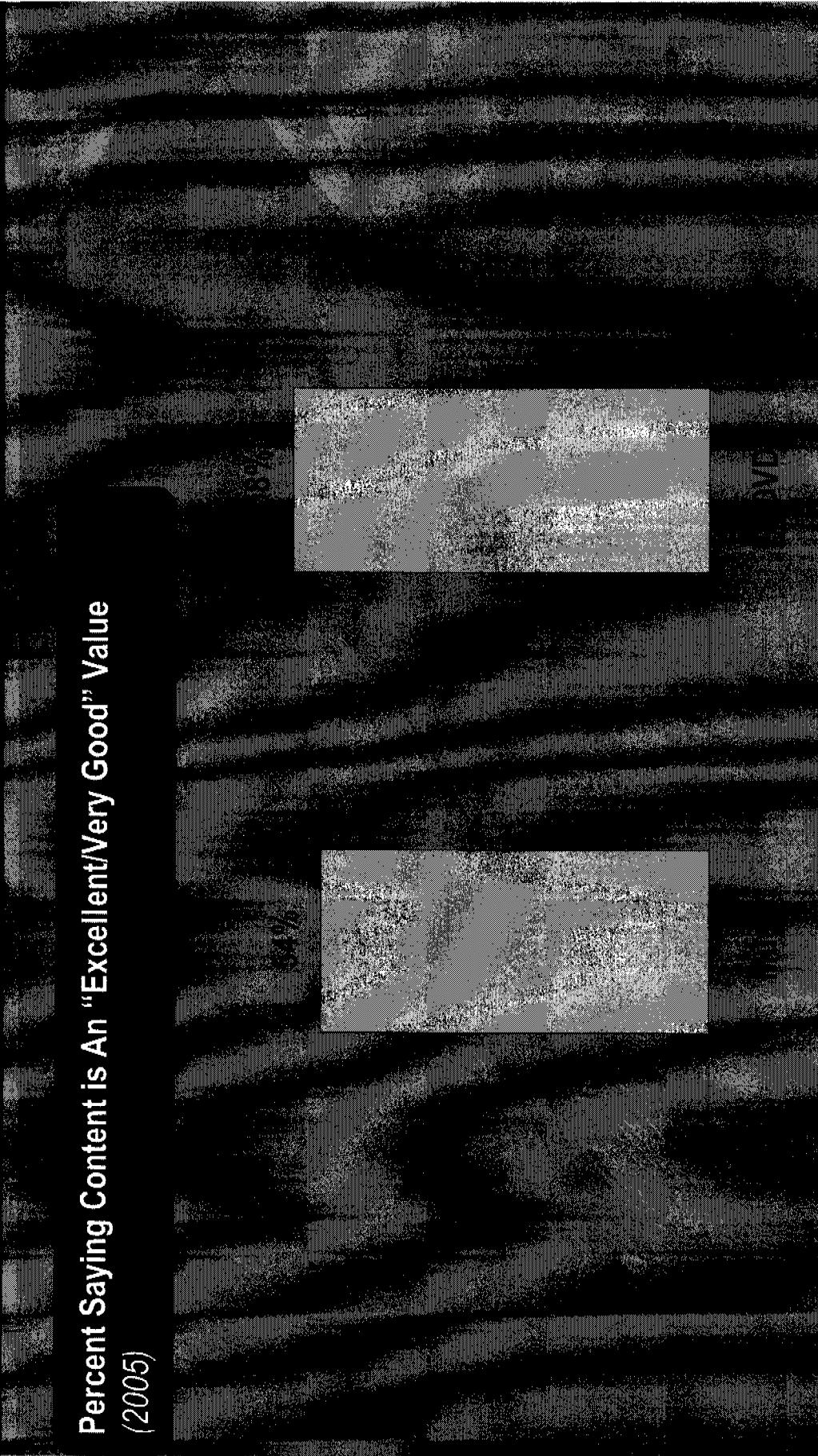


Source: NPD Digital Music Study December 2005

(US Internet Pop. Age 13+ BEHIND EVERY BUSINESS DECISION

Truth Is, Consumers Believe That Music Is Every Bit As Good a Value As DVD's- a Category That Has Enjoyed Vigorous Growth

Percent Saying Content is An "Excellent/Very Good" Value
(2005)



What Is Important When Buying Music



...and how well do we deliver?

Underdeliver: Important and Consumers are not entirely satisfied.

Doin' Fine: Less Important And Customers Are Happy

- Digital Gift Cards
- Gift Cards for In-store Products
- Ability to Sample Online
- Recommendations/staff Faves

Sales, employee pricing, Black Friday- America is about a deal Heavy buyers desire community, discovery, co-promotion

Which would encourage you to go to the store specifically to buy music?

Sales will always get consumers to claim purchase interest. Objectives to create demand for music and thus avoid subsidizing the category.

Ideally, There Would Be More Intense Commitment to Concepts that Encourage More Spending

Q: Which of the following would encourage you to spend more than \$ (Past Year Expenditure) on music in the next 12 months?



Base: 2,162 respondents who have purchased physical music from a store in the past year



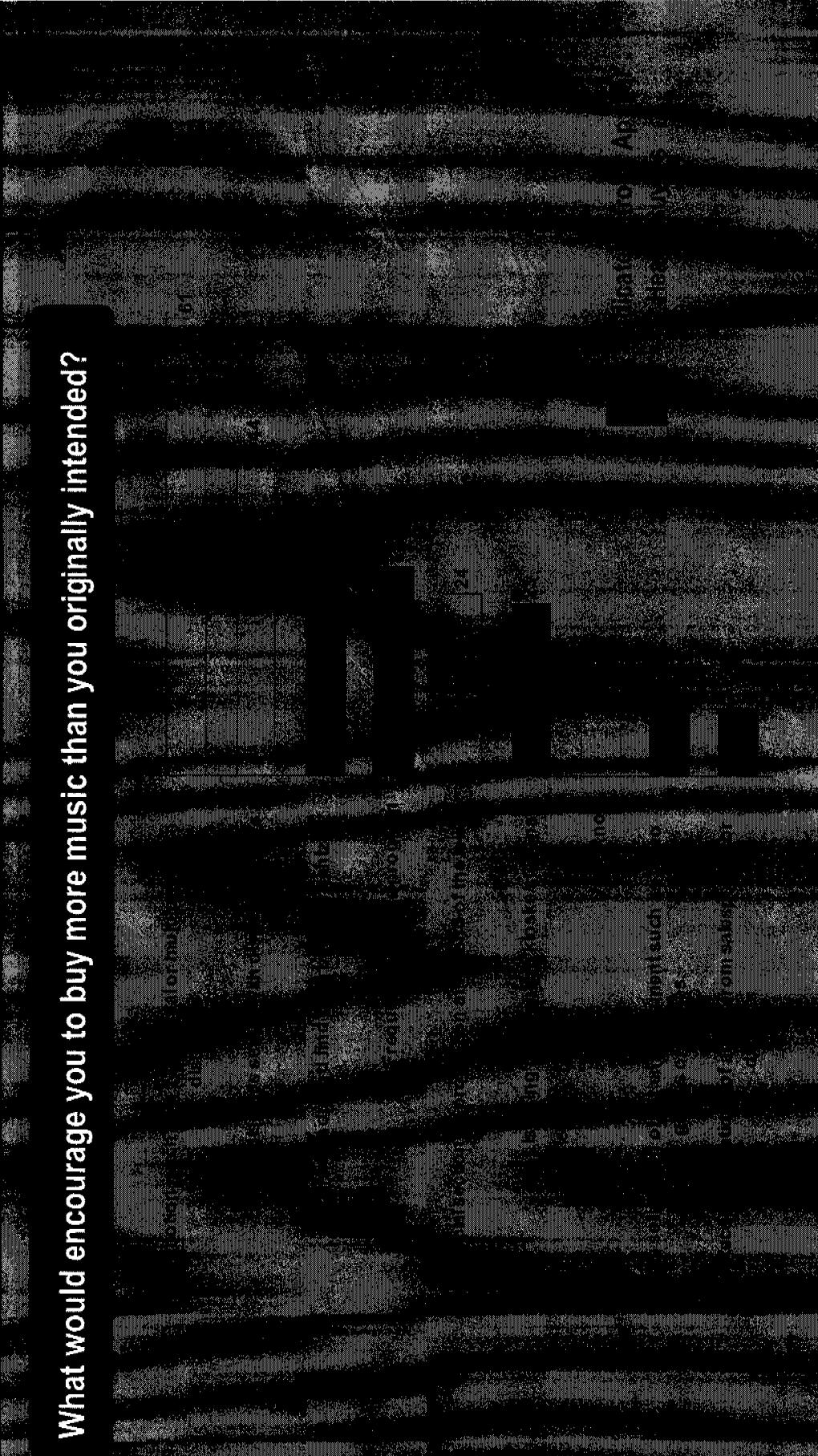
**Half Full- some buyers claimed interest in kiosks, DualDisc, bundles
Half Empty- no concept was over 50% top two box score and heavy
buyers were only slightly more interested than light**

Heavy Medium Light Buyers: Spending Triggers

	Light	Medium	Heavy
Which would encourage you to spend more on music in the next 12 months?			
(top 2 box %)			
Movie DVD/Music Soundtrack Bundle			
DualDisc			
Custom CD's from kiosk			
CD/DVD Combo			
Used CD's			
DL Music/Ringtones to device			
TVDVD/Music Bundle			
Videogame/Music Bundle			

Once in the Section, Consumers Are Receptive to "Packaged Goods" Looking Promotion Geared to Drive Take Rate

What would encourage you to buy more music than you originally intended?



The DualDisc buyer...
(are we doing enough to get more?)



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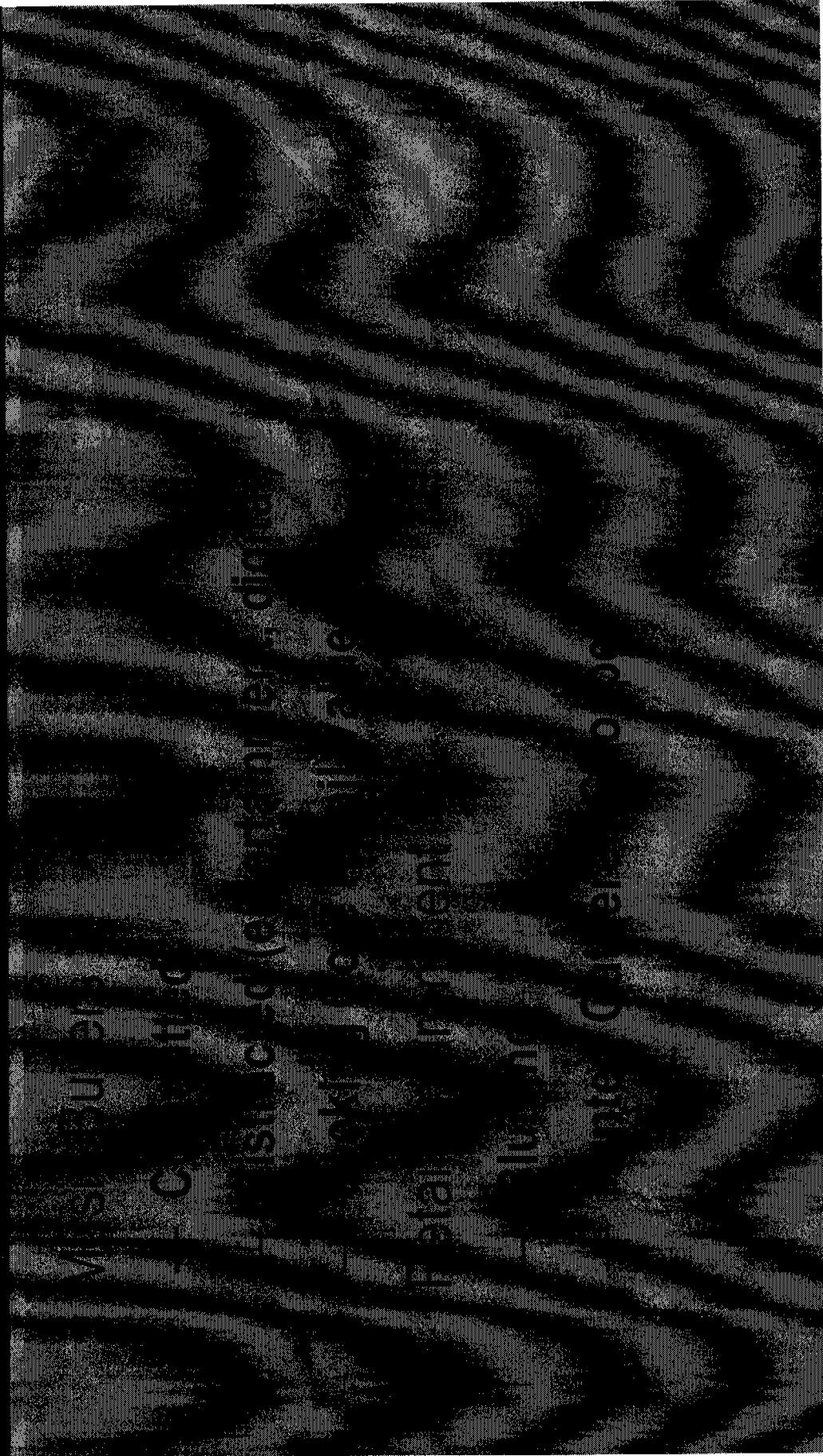
**CARD
GROUP**

The Retail Shopping Experience

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Retail Shopping Experience

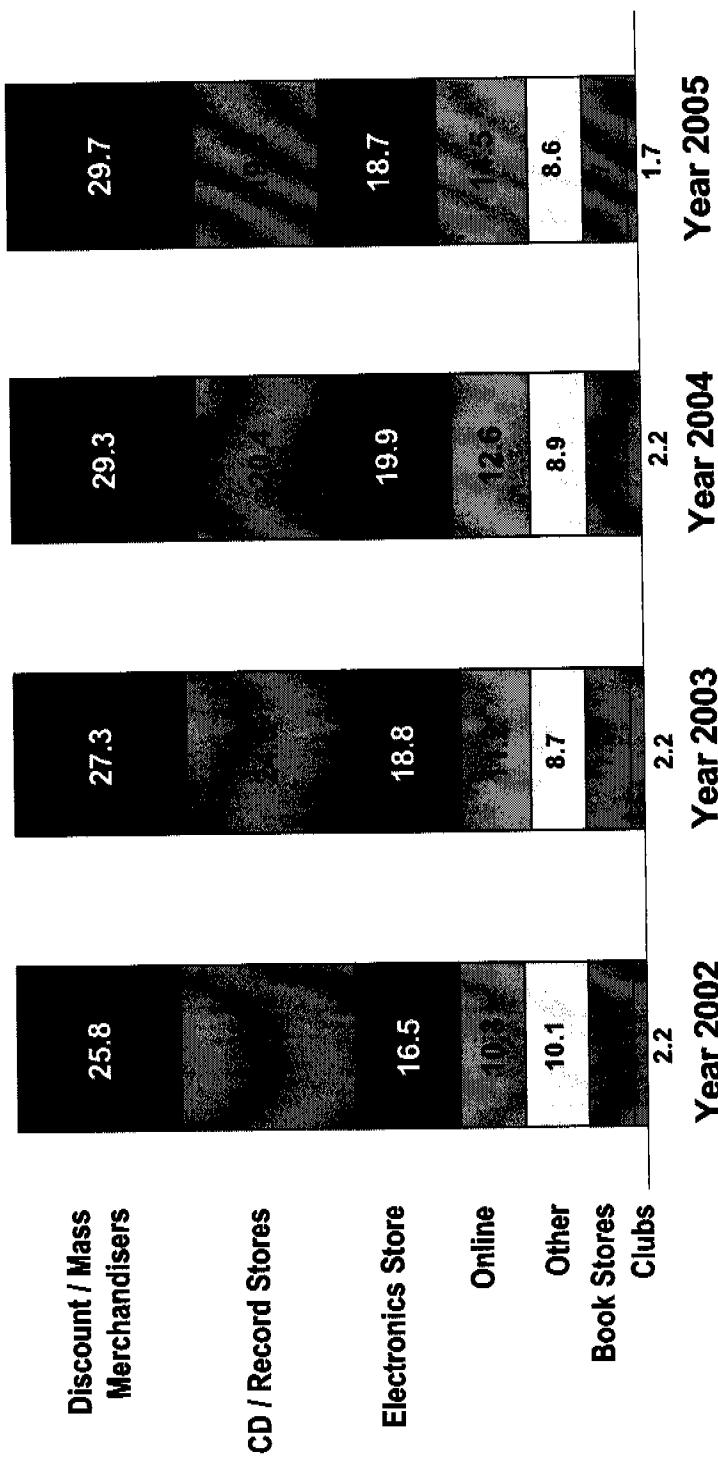


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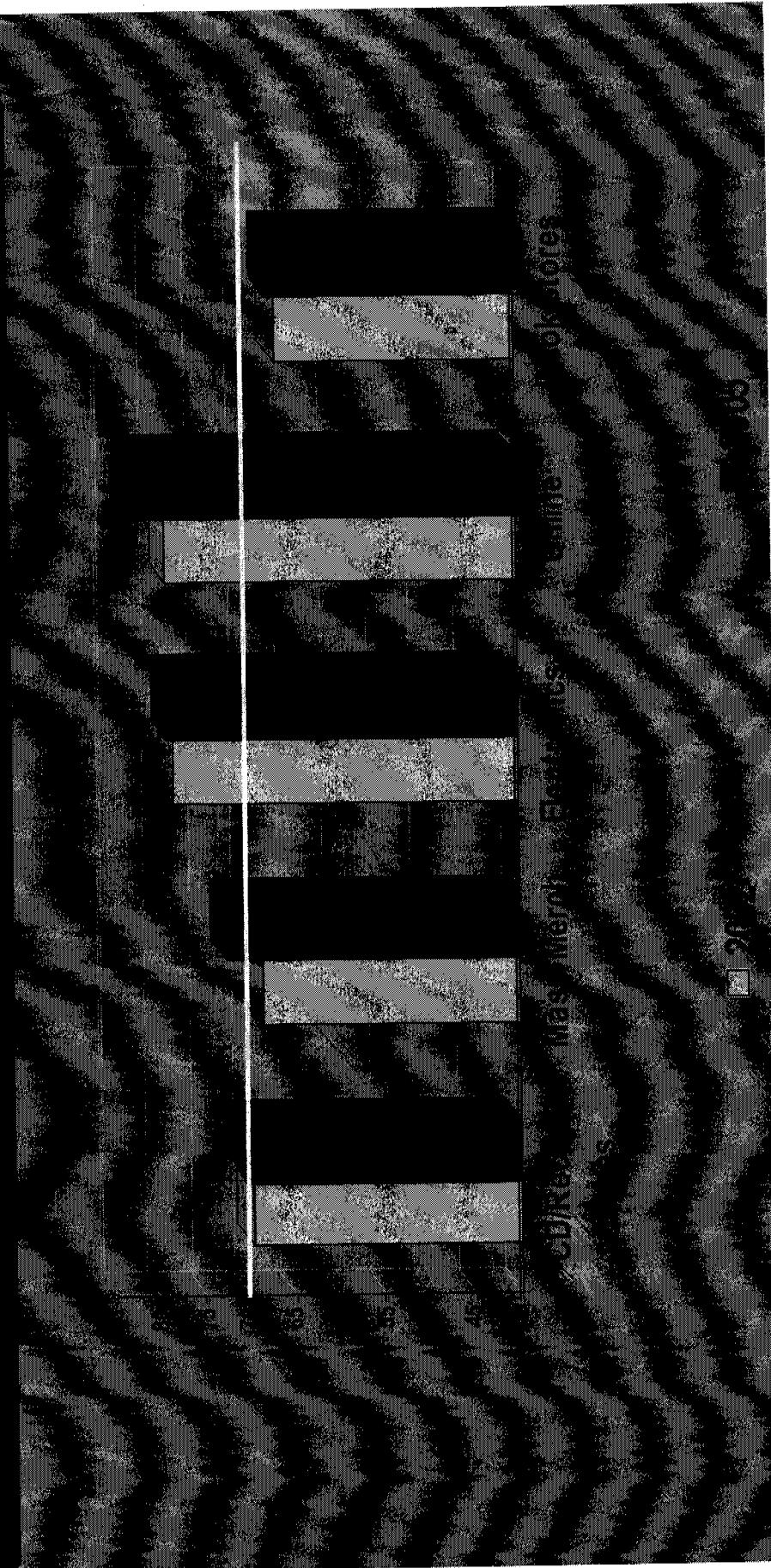
CD/Record stores off 9 share pts. since 2002

Share of Units by Channel



**Willingness to repeat shop is strong, at least
70% at the channel level**

Likelihood Of Returning To Retailer, 2002 & 2005, Definitely/Likely Will Return



“Value For Price Paid” Is Over 50% in All Channels

Value For Price Paid, 2002 & 2005, Excellent/Very Good

Channel Blurrerrrrrrrrrrrr

If you buy music here **Most Often**, where else did you buy music?

Electronic Most Often

49% Target

32% Amazon

10% Barnes & Noble

Incidence of Cross-Outlet Shopping Is Rising

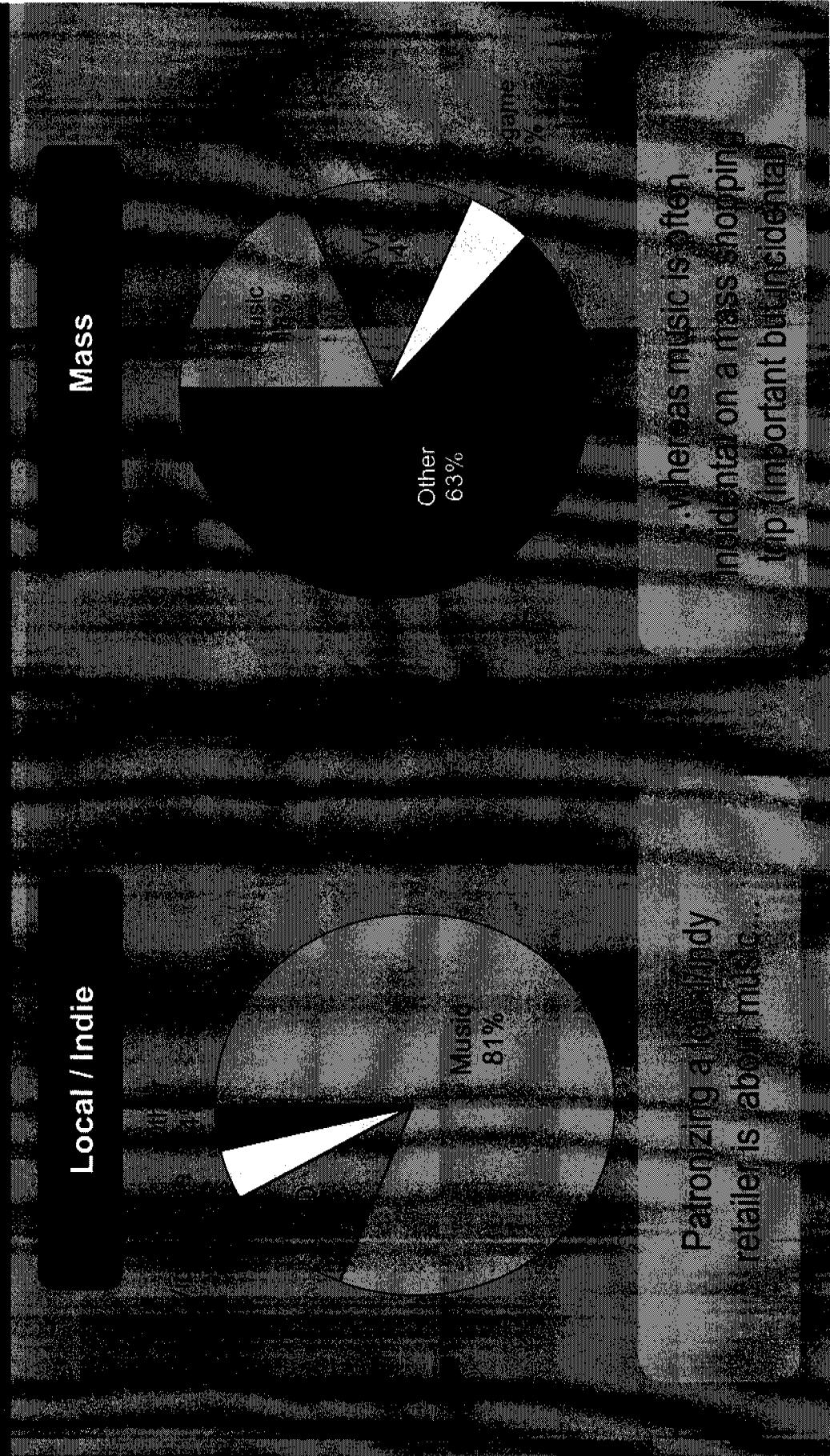
Where did you
buy music in
the past year?

	Buyers at Independent Chain	Big Box Buyers	2003
amazon.com	23	20	
Barnes & Noble	11	11	
Best Buy	33	53	58
Borders	48	39	40
Retailer X	9	17	10
fy'e	1	1	1
Sam Goody	1	1	1
Target	14	34	39
Tower Records	1	1	1
Virgin Megastores	3	13	15
WalMart	1	1	1

Read: 20% of "Big Box" retailer buyers also bought at amazon, versus 12% in 2002

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Why Do Consumers Leave the House? (What Were You Going to the Store For?)



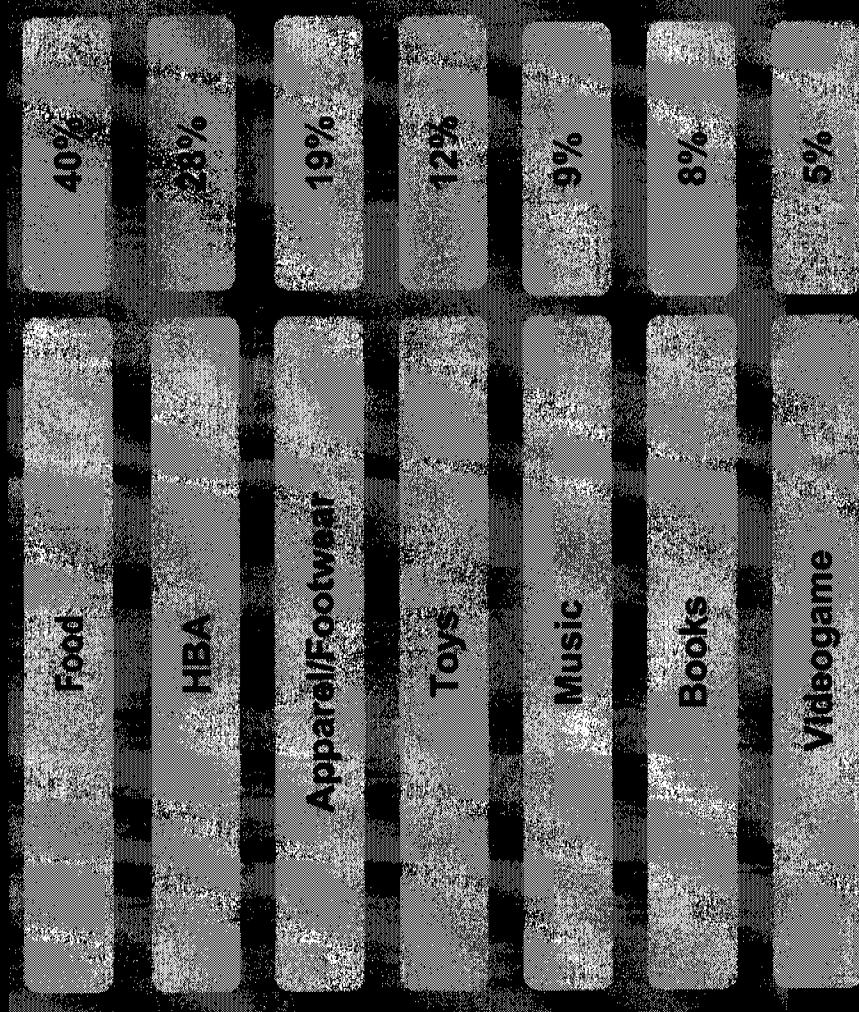
Consumers Have Specific Expectations From Particular Outlets

% Indicating Top Box Importance

	Online	Book Store	Entertainment	Mass Merch.	Electronic	Local/Indie
Listening Stations		x				
Knowledgeable Staff			x			
Selection	x		x		x	x
Shop Other Items				x		
Sampling		x				
Used					x	

Notably absent: Burning kiosks, Frequent Shopper program, Recommendations

DVD Buyers: What else do they shop during a mass merch trip?



Shopper Segments

Determine if there are unique groups of music shoppers

Who are these segments

How do we merchandise most effectively

Create music shopping occasions

Trigger more browsing/impulse shopping

More time in section

Six Segments

Determined

On a mission to get an album, and buys only that album

TradeUp

Also on a mission, but shops other music too

Basket

Wants the album but waits for other shopping needs

Wanderer

Goes to buy music w/no album in mind and spends time browsing music sections

Passerby

Shopping for other items buy browses music section

Impulse

An end cap or display reels me in, but shopping for other items

Drive Demand



MUSIC
Trip

Both

convenience
Trip

Determined

Wanderer

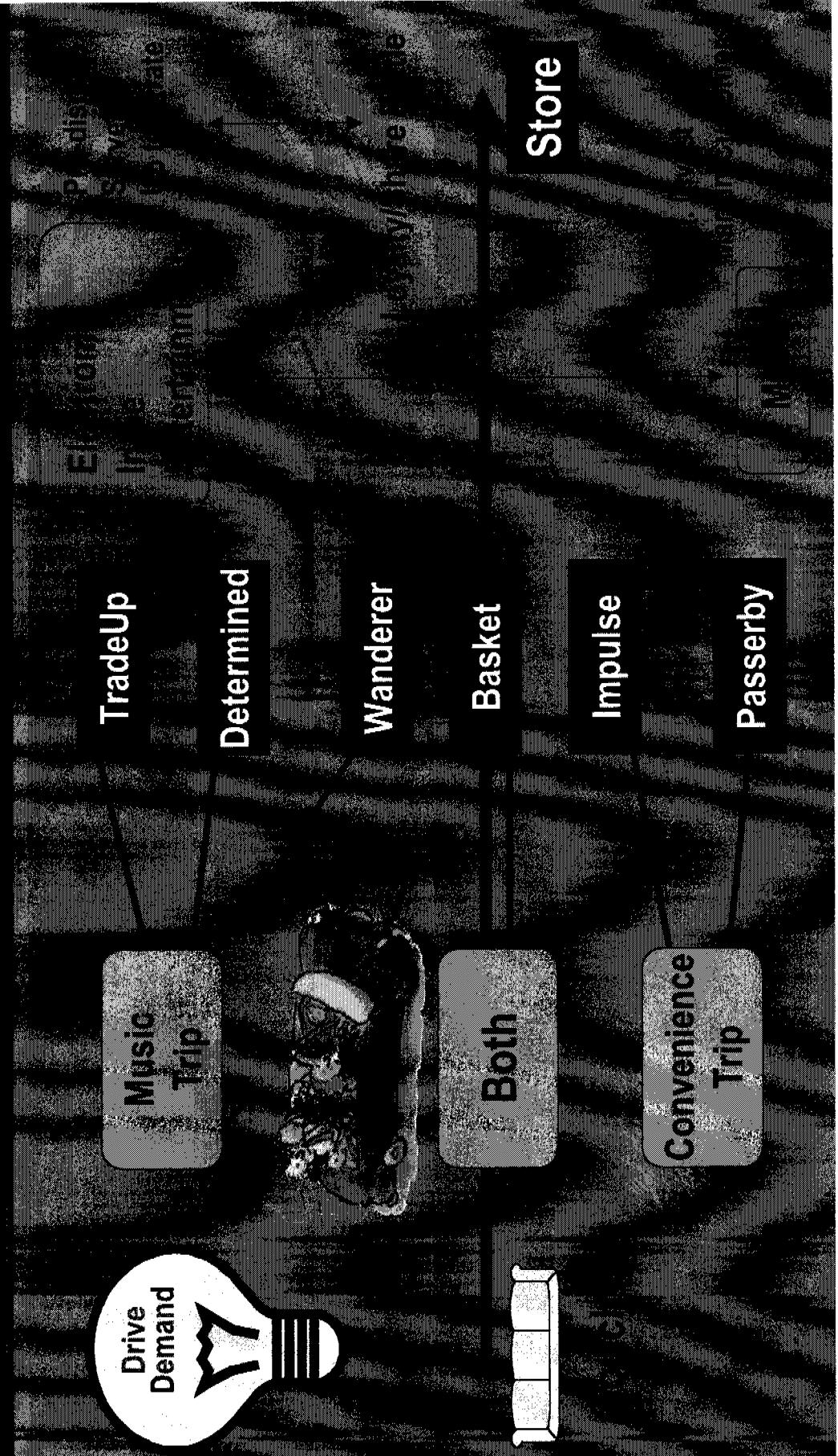
Basket

Impulse

Passerby

TradeUp

Store



Though Tradeup's Spend the Most, Other Segments Make Large Overall Contributions to Revenue- Low Propensity Scores for Heavy Buying Groups Are Concerning

Buyers (M)	Spend		Propensity Index
	Per Buyer	Revenue \$ (B)	
Determined			
TradeUp			
Basket			
Wanderer			
Passerby			
Impulse			

Market revenue sourced from NPD MusicWatch- Spend per buyer from survey data
BEHIND EVERY BUSINESS DECISION

Determined: 19% of Music Buyers
I left the house for that album, and only that album

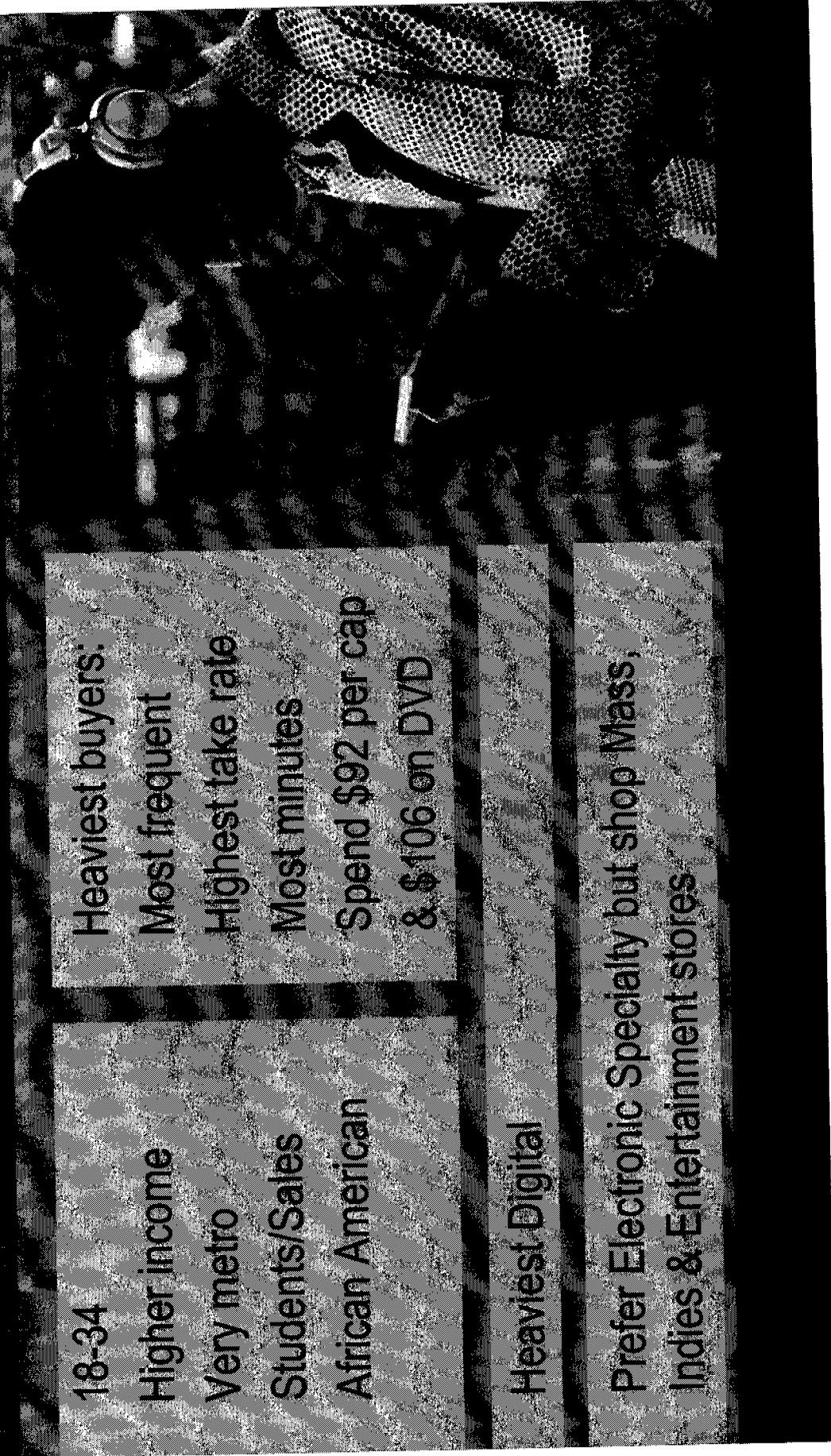
18-34
Lighter buyers:

Slightly higher income
Major media
Prof./White Collar/
Students
Lower take rate
Fewer minutes
Spend \$51
Less DVD too

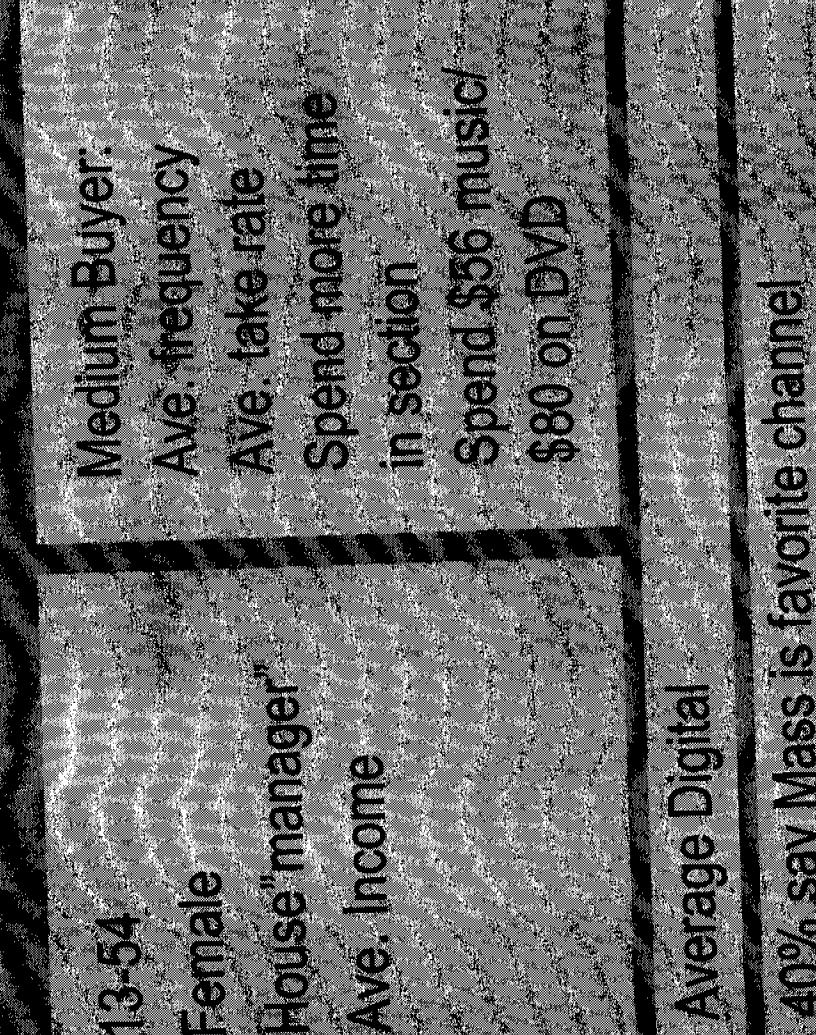
Above Average Digital

Mass, Electronic or Specialty

TradeUp: 12% of Music Buyers
While I'm here, I'll check out...



Basket: 17% Of Music Buyers Came for music, and snacks, and Nikes, and “Incredibles”, and and



Wanderer: 20% of Music Buyers
If I won Powerball, I'd shop all day, everyday, and everywhere!

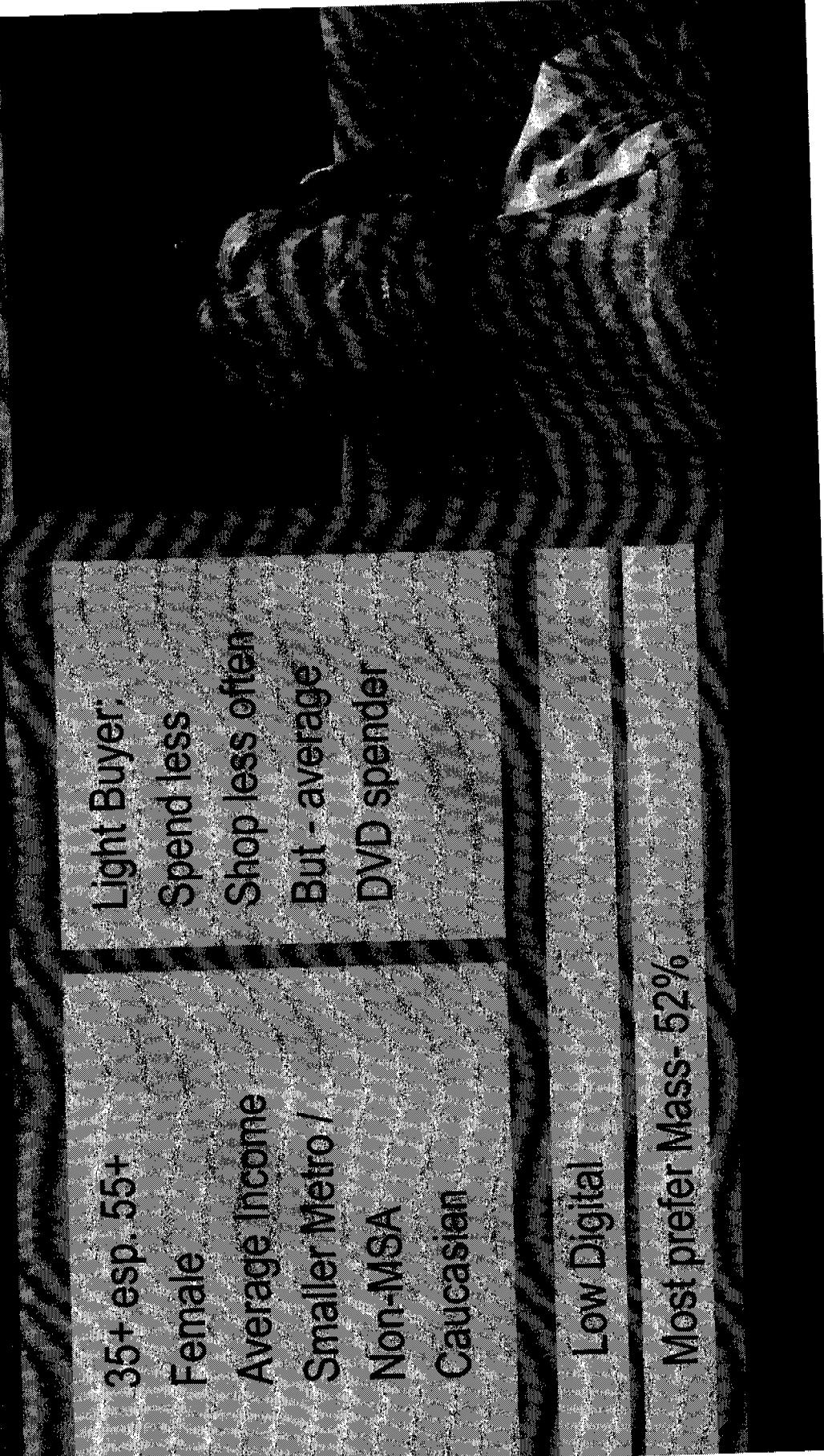
Teens
Under 55 too
Male
Higher Income

Heavy Buyer:
Shop 4X/year
Buy 2 CD's per
Most time

In section
Spend \$74 music
\$22 on DVD

Average Digital
Shop EVERYWHERE

Passerby: 25% of Music Buyers Nice Barry Manilow CD!

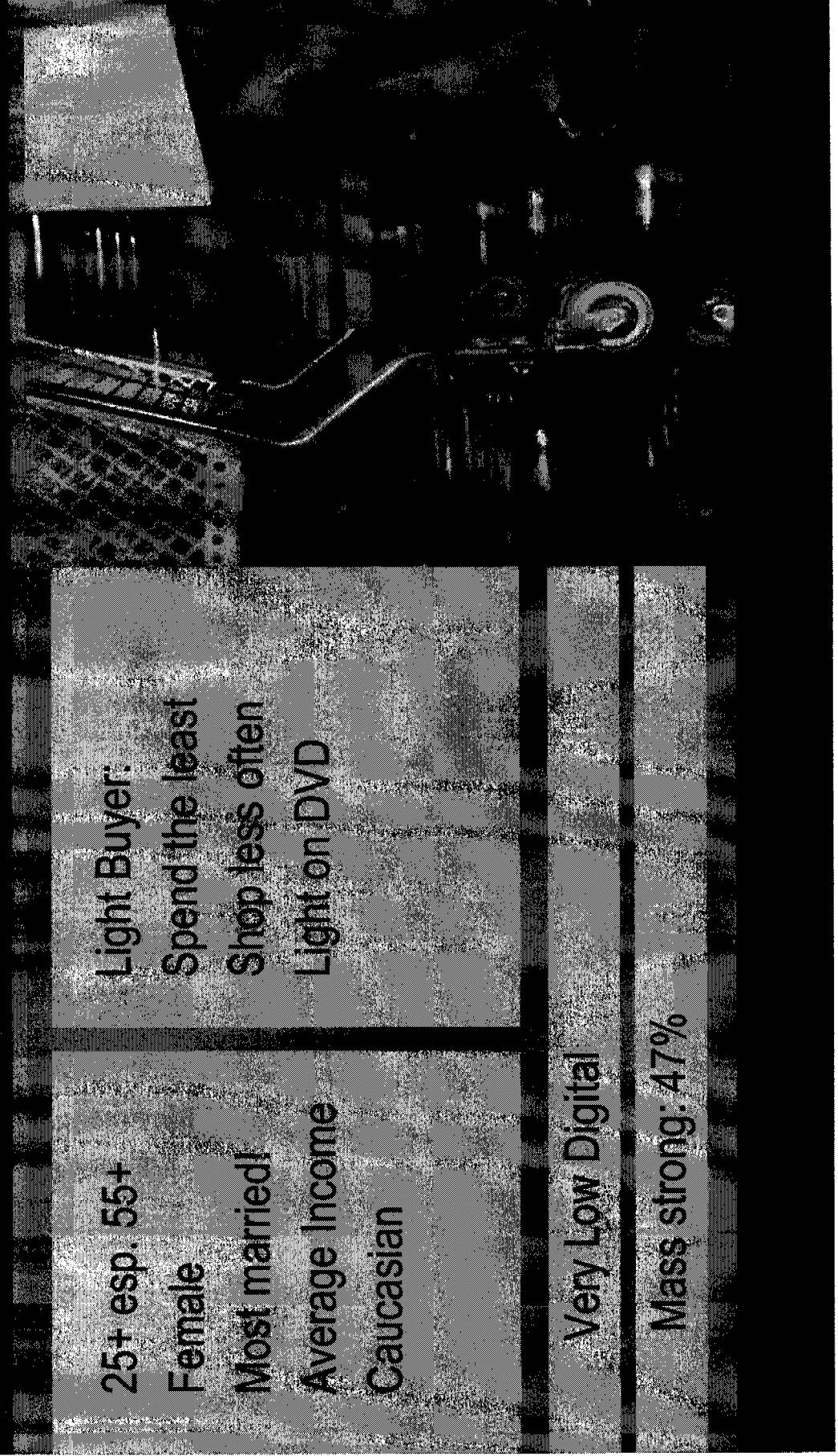


Light Buyer:
Spends less
Shop less often
But - average
DVD spender

35+ esp. 55+
Female
Average Income
Smaller Metro /
Non-MSA
Caucasian

Low Digital
Most prefer Mass - 52%

Impulse: 7% of Music Buyers
What's American Idol? Simon who? Burning- from indigestion maybe!



The heavier buyers are more receptive to merchandising mechanisms intended to stock them up- impulse buyers might be drawn by a promotion but you have to make them aware that it's available

What would encourage you to buy more music than intended?

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Promo; 2for1, multi purchase discount		x			x	
Bins/Display with discount CD's			x		x	
Easier to shop/Better Organized		x				
Frequent Purchase Program			x			
End aisle promo/display			x			
Listening or sampling stations				x		
Cross sell w/ other entertainment				x		
Recommendations					x	

x signifies above average relative to total/other segments

Impulse buyers pay attention to ads, are deal buyers and browsers; options exist for creating demand among lighter consumers, esp. for releases targeted to their demographics

Where do you learn about music?

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Radio DJ	x					
Friends/Family	x					
Found While Browsing	x			x		
Music Television station	x					
Online Article/Review						
Radio Ad				x		
Artist Website	x	x				
In-store Display/Promo		x				
Mag/Newspaper Article	x				x	
TV Ad for CD	x					
Heard on other TV Show	x					
Magazine Ad			x		x	
Online Community Website		x				
Sales Circular			x			x

x signifies above average relative to total/other segments

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Scenario To Grow Physical Sales By 6%: Geared at Heavy buyers and shoppers who buy only one CD/trip

Buyers (M)	Spend Per Buyer	Revenue \$ (B)	Proj. Rev \$ (B)	Change
Determined	\$10.00	\$1.00	\$1.00	0%
TradeUp	\$10.00	\$1.00	\$1.00	0%
Basket	\$10.00	\$1.00	\$1.00	0%
Wanderer	\$10.00	\$1.00	\$1.00	0%
Passerby	\$10.00	\$1.00	\$1.00	0%
Impulse	\$10.00	\$1.00	\$1.00	0%

Scenario To Grow Physical Sales By 8%; Geared at consumers who are shopping other categories/impulse buyers

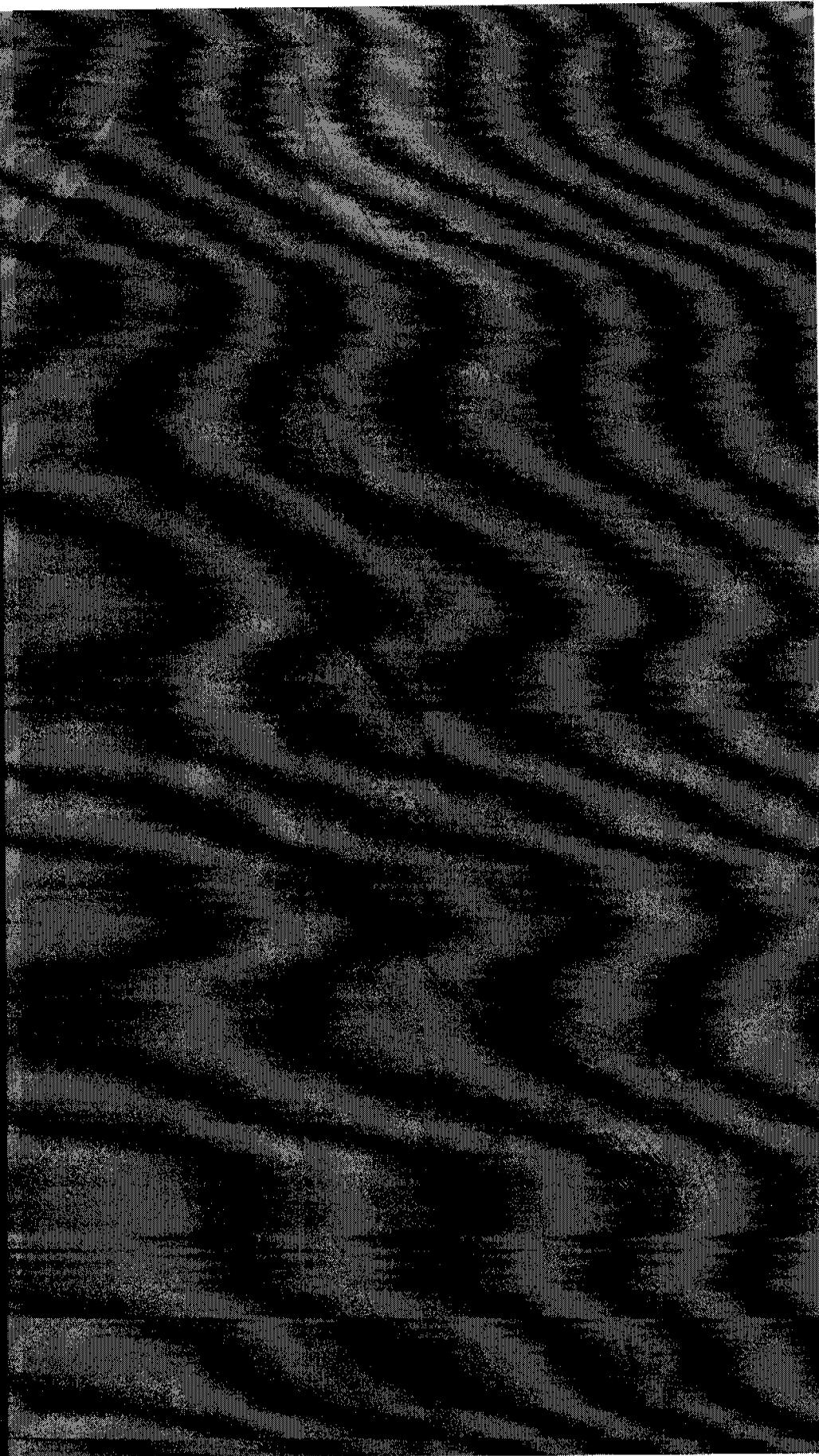
Buyers	Spend Per Buyer (M)	Revenue \$ (B)	Proj. Rev \$ (B)	Change
Determined	\$1.00	\$1.00	\$1.00	0%
TradeUp	\$1.50	\$1.50	\$1.50	0%
Basket	\$2.00	\$2.00	\$2.00	0%
Wanderer	\$2.50	\$2.50	\$2.50	0%
Passerby	\$3.00	\$3.00	\$3.00	0%
Impulse	\$3.50	\$3.50	\$3.50	0%

Appendix

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Appendix: Buyer Profile



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Detailed Demographic Growth Trends: 2000-2005/2005-2010

US Pop Trends : 5 Yr Intervals

Pop. Age 0 - 4	7.07%	6.57%
Pop. Age 10 - 14	7.44%	6.59%
Pop. Age 18 - 29	4.58%	4.37%
Pop. Age 25 - 34	14.12%	12.89%
Pop. Age 45 - 49	7.88%	7.36%
Pop. Age 55 - 59	5.93%	6.36%
Pop. Age 65 - 74	6.76%	7.16%
Pop. Age 85+	1.78%	1.94%

How to read: 5-9 year group estimated to grow at 6.52% between 2005 and 2010

* Demographic trends courtesy Claritas Corp.

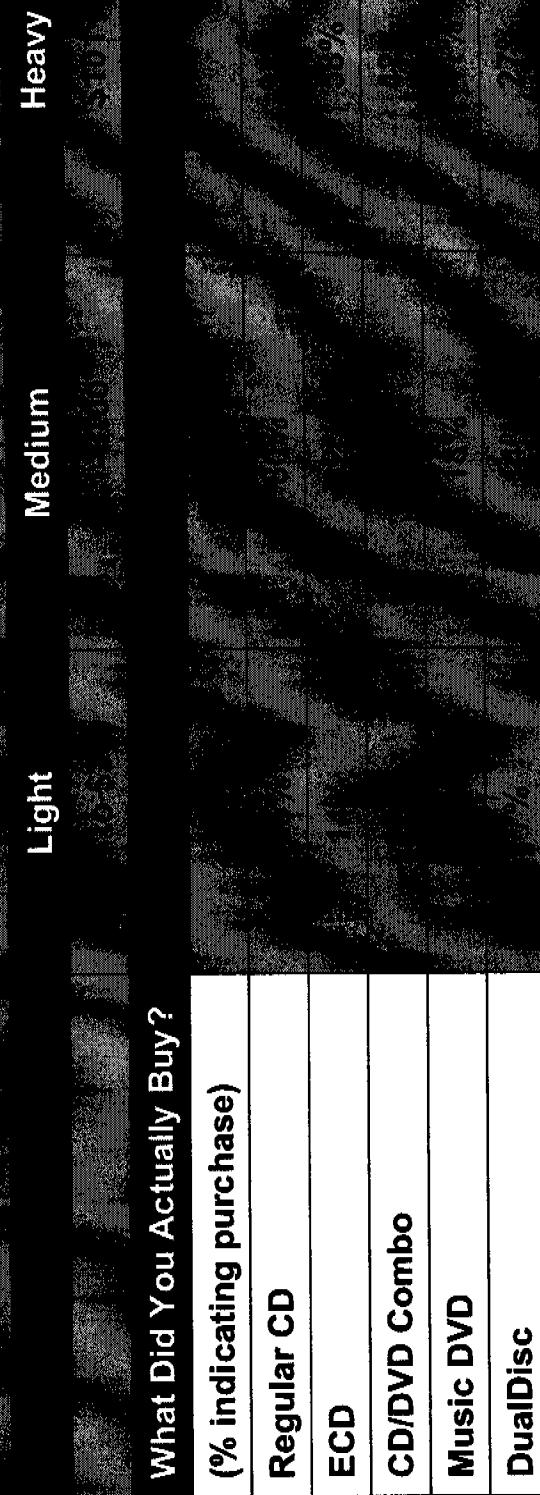


Heavy Medium Light Buyers: Favorite Channel to Buy Music

Your favorite place to buy physical music?

	Light	Medium	Heavy
Discount / Mass Merchandiser	10%	10%	10%
Electronic Specialty Store	10%	10%	10%
Online (i.e. Amazon, not iTMS)	10%	10%	10%
Book Store	10%	10%	10%
Entertainment Store (i.e. FYE, Sam Goody)	10%	10%	10%
Local Specialty Store/Independent	10%	10%	10%
Warehouse Club	10%	10%	10%
Other	10%	10%	10%

Heavy Medium Light Buyers: Format Bought

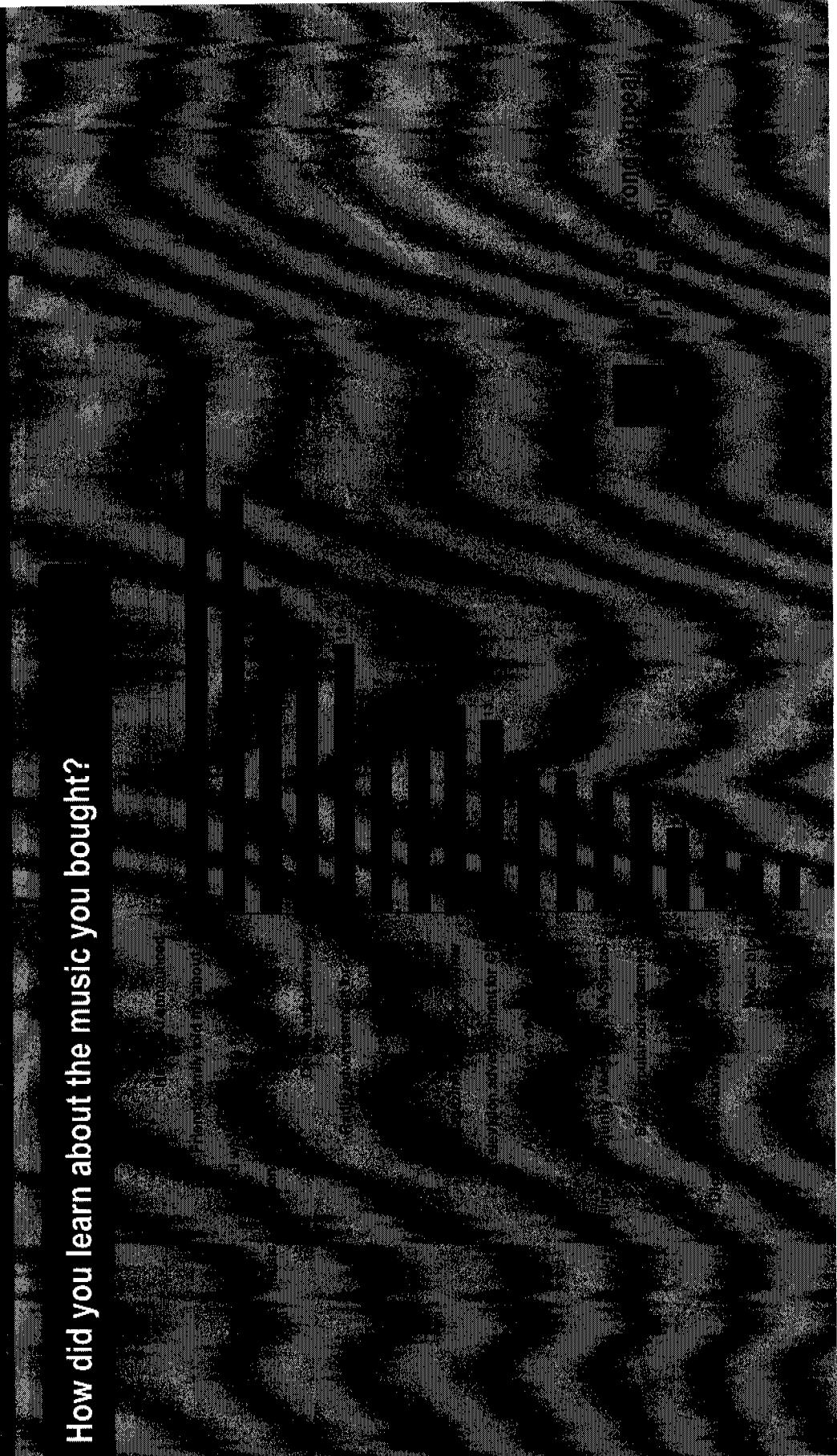


Radio Remains the Primary Listening Method, But Heavy Buyers Are Actively Using Streaming, Satellite, and Downloading

Where do you listen to music before you buy?

Consumers Learn About Music In The Traditional Ways, Though Heavy Buyers Are Getting Information Through A Wider Set Of Sources

How did you learn about the music you bought?



CNPD
group

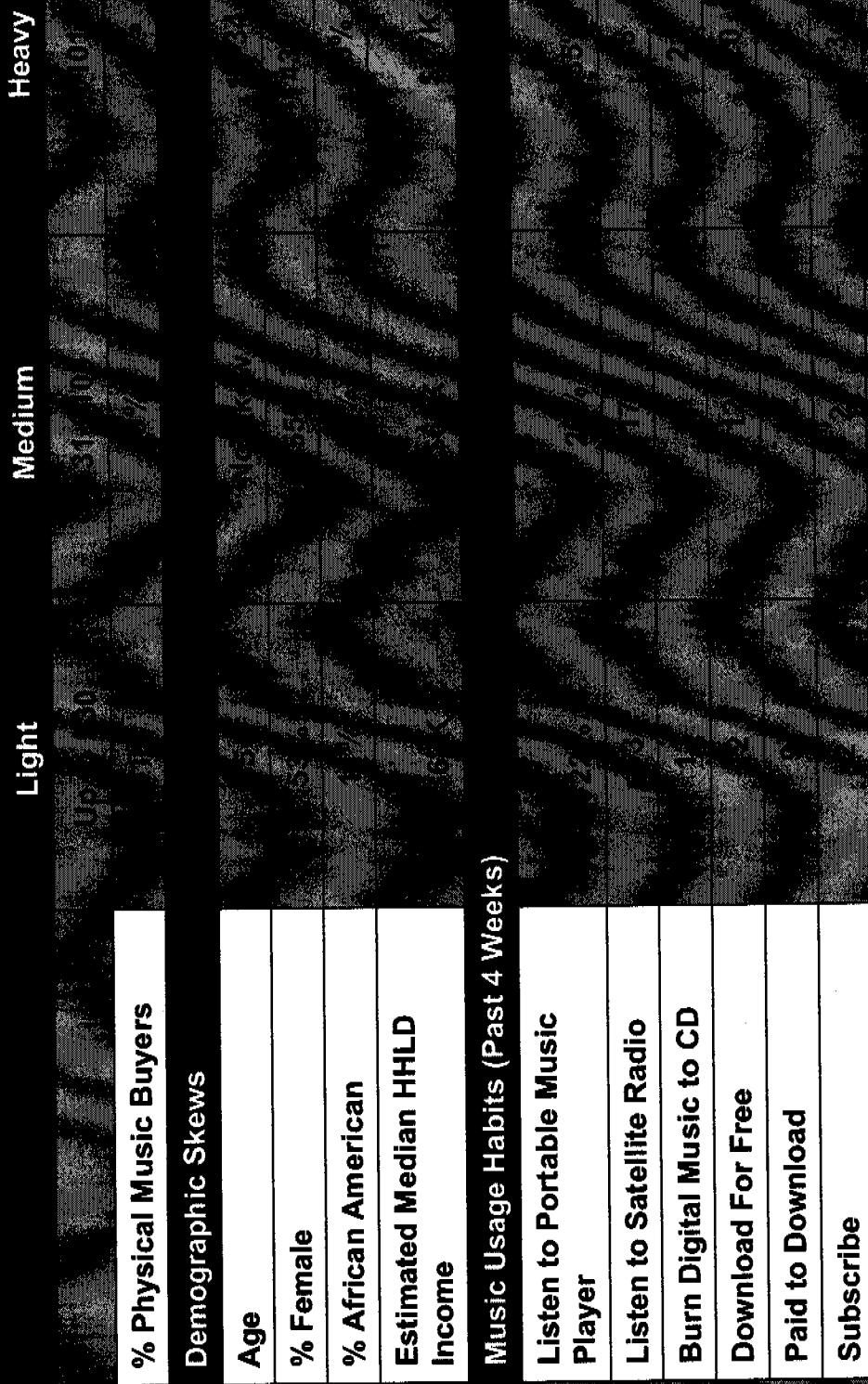
Index: % Heavy Buyers / % All Buyers

BEHIND EVERY BUSINESS DECISION

**Being Pre-disposed to Visiting the Section Is Important;
If Not, Most Mechanisms to Get You There May Not Be Effective**

What would encourage you to visit the music section?

Heavy Medium Light Buyers: Key Demos and Usage Habits



Heavy Medium Light Buyers: Spending and Shopping Dynamics

Heavy

Medium

Light

Occasions/Buyer

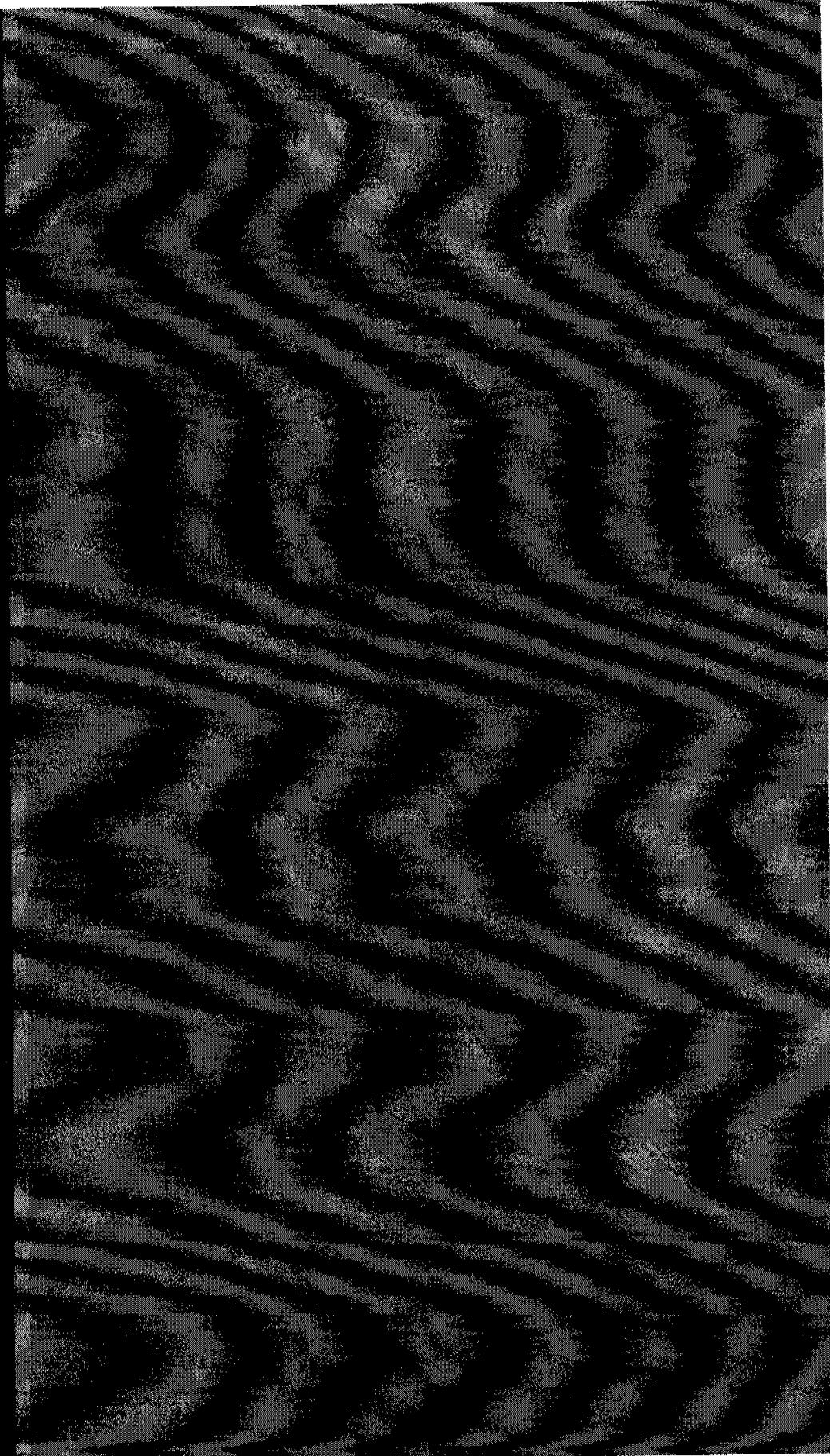
Items Per Occasion

Estimated Spend

Minutes in Music Section

**Category Preferences
(would buy more of)**

Appendix: Retail Experience



BEHIND EVERY BUSINESS DECISION

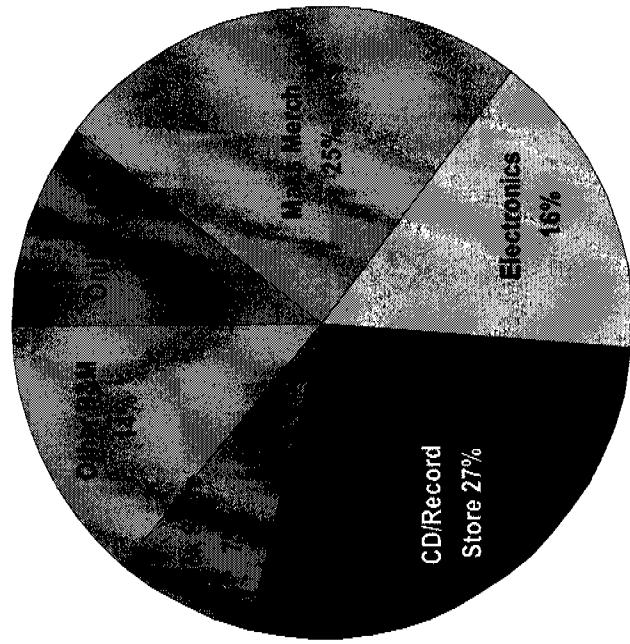
83

SPD
group

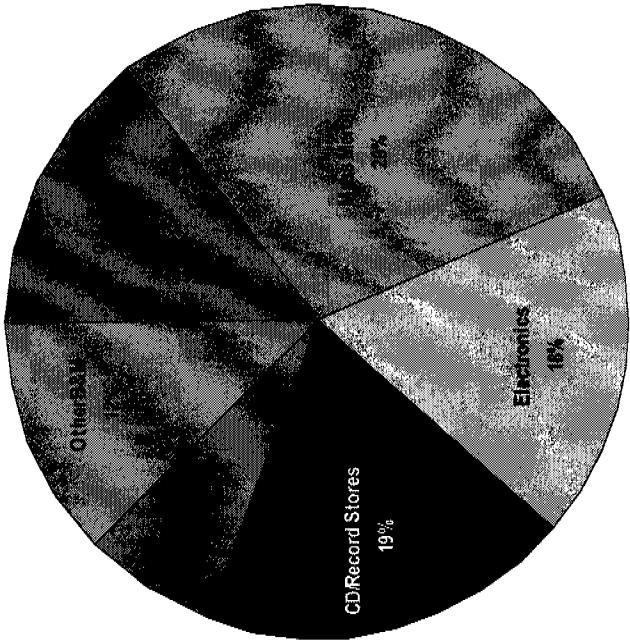
The Pie's Being Shared Differently

In 2002, the record store was #1
in music merchant online chipping away at shares.

Music Purchases By Channel, 2002
Unit Share



Music Purchases By Channel, 2005
Unit Share



Over Time, Electronic Specialty Looking More Like Record Store Buyer

Key Demographics: 2005 (% Unit Sales)

	Online (Total)	Book Stores	CD/Record Stores	Discount/Mass Merchandisers	Electronics Stores
13-17					
18-25					
26-35					
36-50					
Over 50					
Male	49.2	48	54.7	34.3	53.6
Female	50.8	52	45.3	65.7	46.4
White/Caucasian					
Black/African American					
Hispanic					

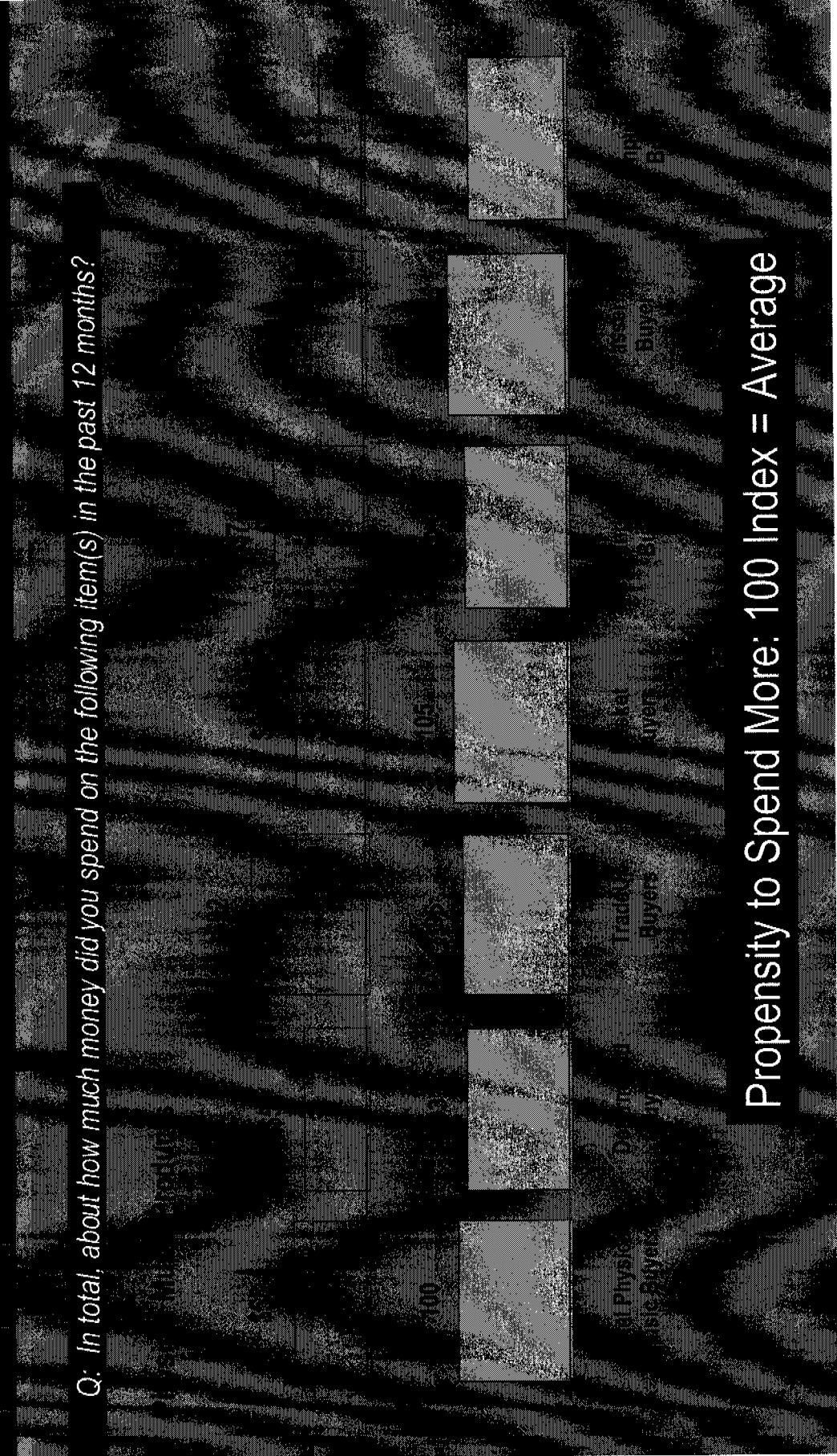
Record Stores Hold the 18-25 Year Base but Mass & Electronic Channels Growing Against This Group—and Younger Women, African Americans

Demographics Driving Channel Share: 2002 vs 2005

Online Retailers	CD/Record Stores	Mass Merch/Discount Stores	Electronics Stores	Book Stores
13-17 Year Olds				Females 13-17 Males 13-17
18-25 Year Olds		Females 13-17		\$45-74K
		African Americans		Mountain region
	\$100K +			HH 4+
				Members
Females 26-35				
Hispanics				
\$25-44K				

The Heaviest Buying Segments Are Less Inclined to Spend More on Physical Music in the Coming Year

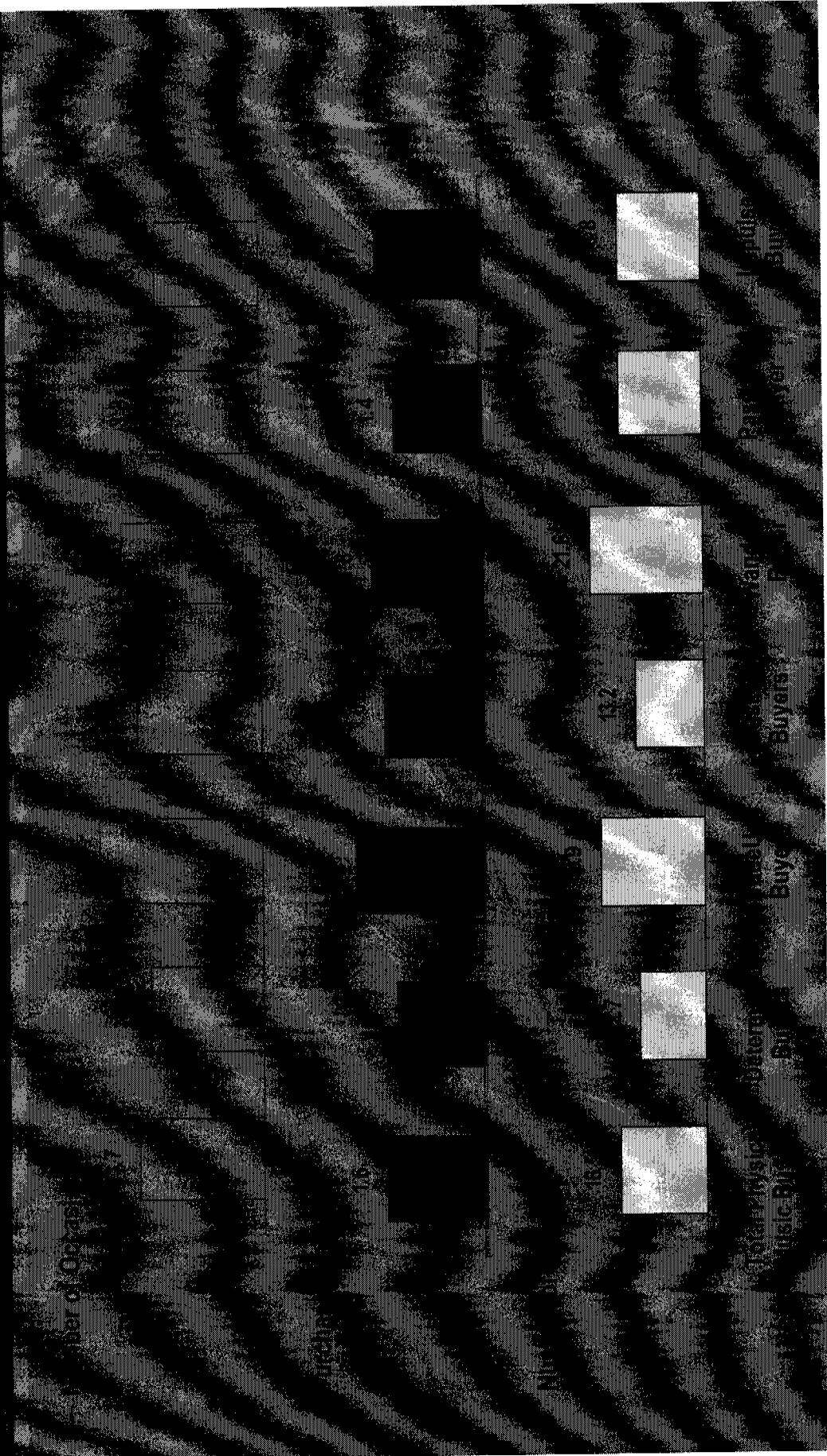
Q: In total, about how much money did you spend on the following item(s) in the past 12 months?



Bases represent those that have purchased at least one of the items at a store in the past year



Music Purchasing Behaviors

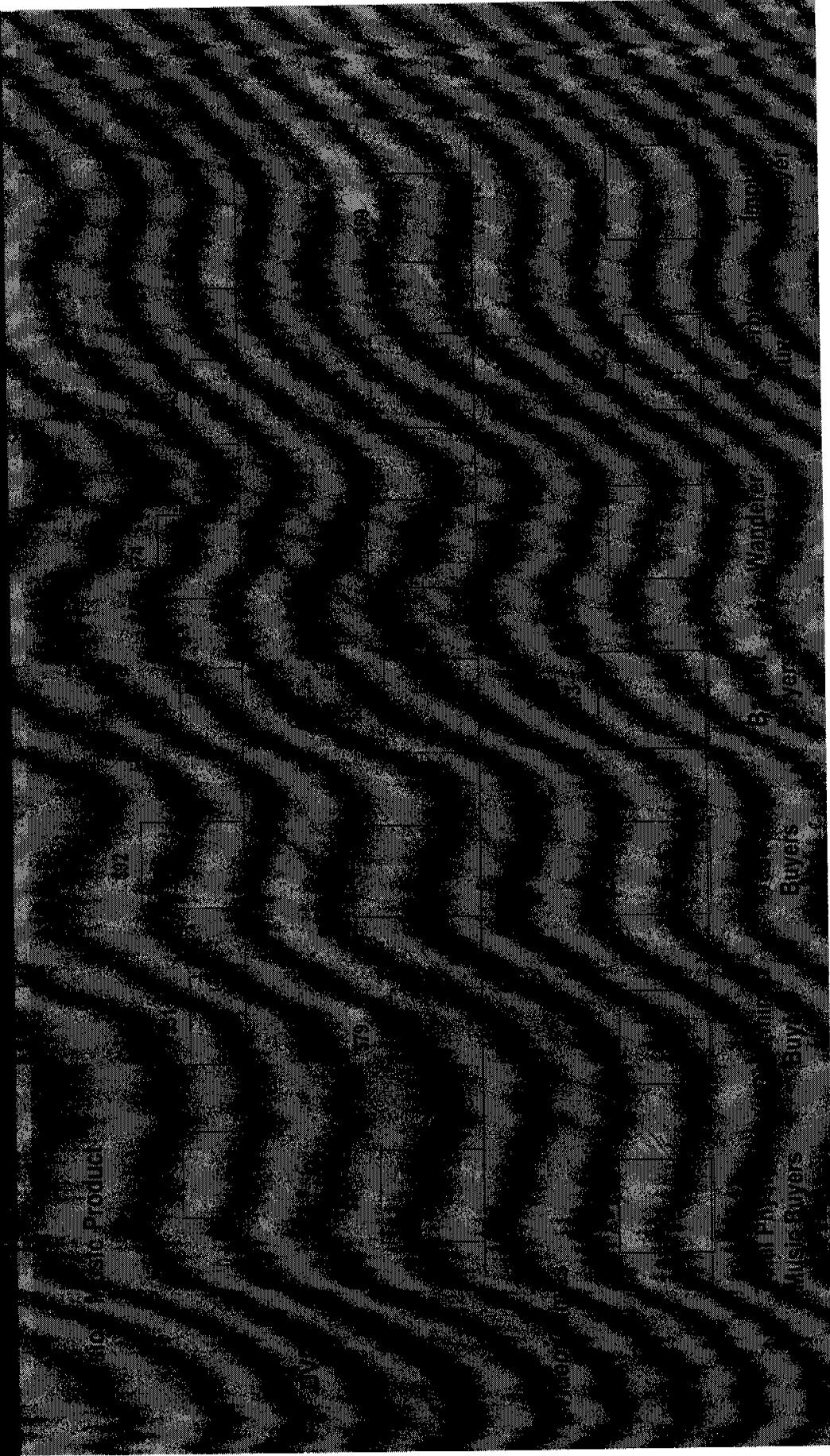


Bases represent those that have purchased at least one of the items at a store in the past year

BEHIND EVERY BUSINESS DECISION



Spending by Music Buyer Segment: Consumer Estimated



Bases represent those that have purchased at least one of the items at a store in the past year

BEHIND EVERY BUSINESS DECISION

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Channel Share Among Shopper Segments (% saying favorite for shopping music)

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Discount/Mass Merch	22	20	46	24	52	47
Electronic Specialty	28	32	21	11	43	11
Online						
Local Specialty/Indy		15	8	11	11	3
Entertainment Store	13	8	11	11	11	3
Book Store						
Warehouse Club						
Other						

Heavy buyers are listening to music via the most varied set of media, which offers opportunities to target via non-traditional methods with lower CPM

How do You Listen to Music?

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Radio				x		
Music Video		x				
Movie		x				
Borrow CD		x				
TV Show		x				
Live Performance		x		x		
Listening Station		x		x		
Online Radio		x		x		
Download for Free		x		x		
Streamed for Free		x		x		
Overhead in Store		x		x		
Streamed from Artist Site		x		x		
Satellite Radio		x		x		
Paid Download		x		x		
Video Game				x		
Cell Phone				x		
Digital Subscription Service				x		

X signifies above average relative to total/other segments

BEHIND EVERY BUSINESS DECISION

It starts with demand – perhaps a new artist or a favorite artist; but we can offer heavy buyers other reasons to make shopping trips

What would get you to go shopping specifically for music?

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Music on sale						
Good selection played in store			X			
Live performance/signing		X				
Special promo (tix, passes)				X		
Cross promote entertainment					X	
Exclusive pre-releases	X					
Hang out spot (sitting, kiosks)			X			
Coffee/drinks/snacks				X		
CD discount/digital dl combo			X			
Community music events					X	

x signifies above average relative to total/other segments

BEHIND EVERY BUSINESS DECISION



**The shopper who is not predisposed to visit the section
will be difficult to capture**

What would encourage you to visit the music section?

	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Hearing music I like	X				X	
Discount flyers in store		X		X		
Music closer to other entertain.			X		X	
Listening stations throughout			X			
New/fresh recommendations				X		X
Display pointing to music section			X			
Music displays throughout store				X		
Music near checkout						
Burning/DL kiosks throughout						

x signifies above average relative to total/other segments

BEHIND EVERY BUSINESS DECISION

The fact that certain key segments believe music is a good value, and they will pay more for favorite artists, is encouraging. Even impulse buyers feel music is a good value!

Attitudes/Behaviors/Beliefs

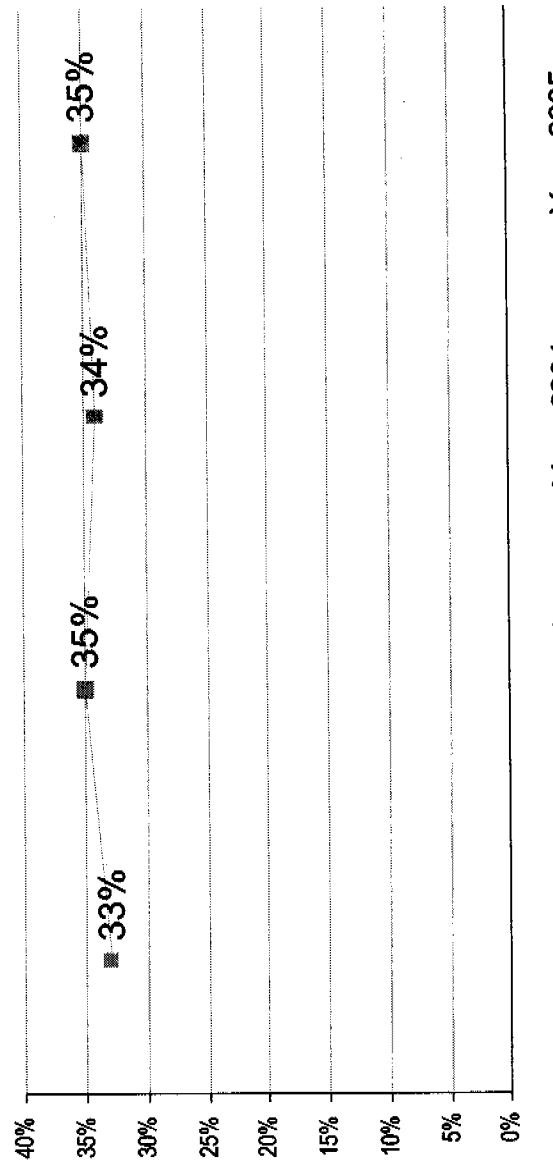
	Determined	TradeUp	Basket	Wanderer	Passerby	Impulse
Doesn't matter where I buy music		x			x	x
Music is a good value		x			x	x
Pay more for favorite artists	x	x			x	x
Enough music variety on radio			x	x		x
Music isn't as good as it used to be		x	x	x	x	x
Albums have a lot of good songs	x	x	x	x	x	x
Music important to my personality	x	x	x	x	x	x
Make special trips for music	x	x	x	x	x	x
Buy most music w/ other items	x	x	x	x	x	x
Important to maintain collection			x	x	x	x
Less time to spend on music			x	x	x	x
More likely to buy music on sale			x	x	x	x
Listen to music when doing other things			x	x	x	x
Only buy if I can sample			x	x	x	x

X signifies above average relative to total/other segments

BEHIND EVERY BUSINESS DECISION

Contentment With the Shopping Experience Is Stable

% Excellent Overall Shopping Experience

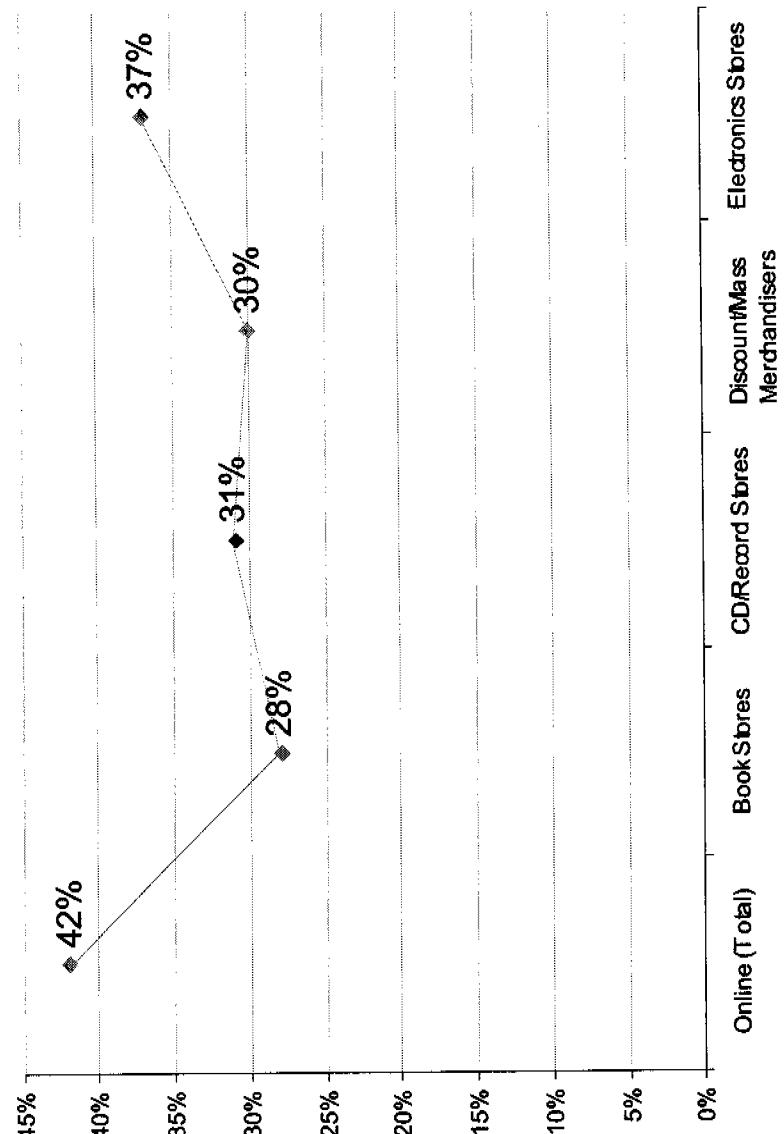


■ % Excellent Overall Shopping Experience

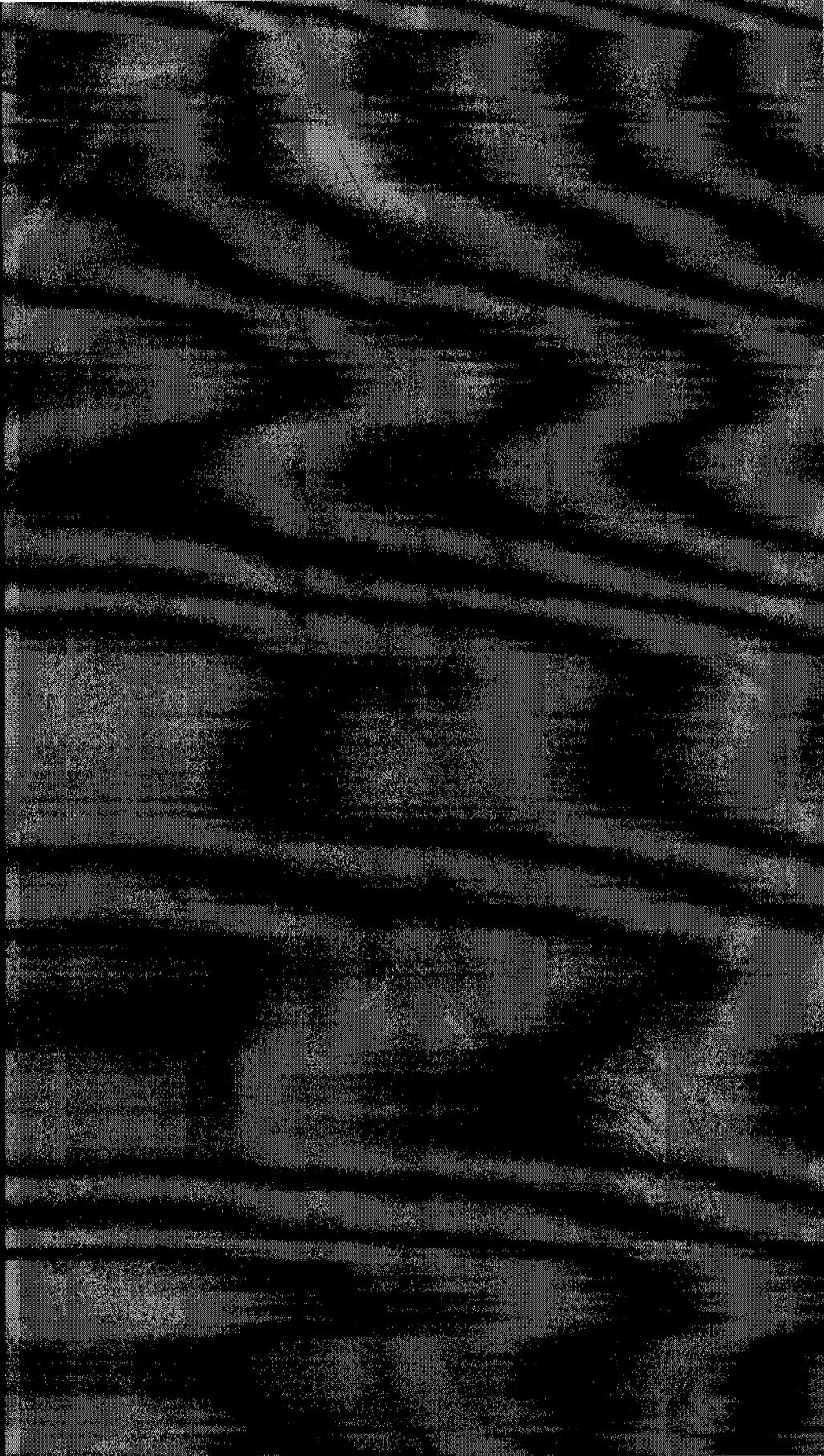
...and this is true across the major channels

Repeat Commitment is Higher Online and at Electronics Specialty

Definitely Will Repurchase At this Channel



Demographic Profiles by Channel

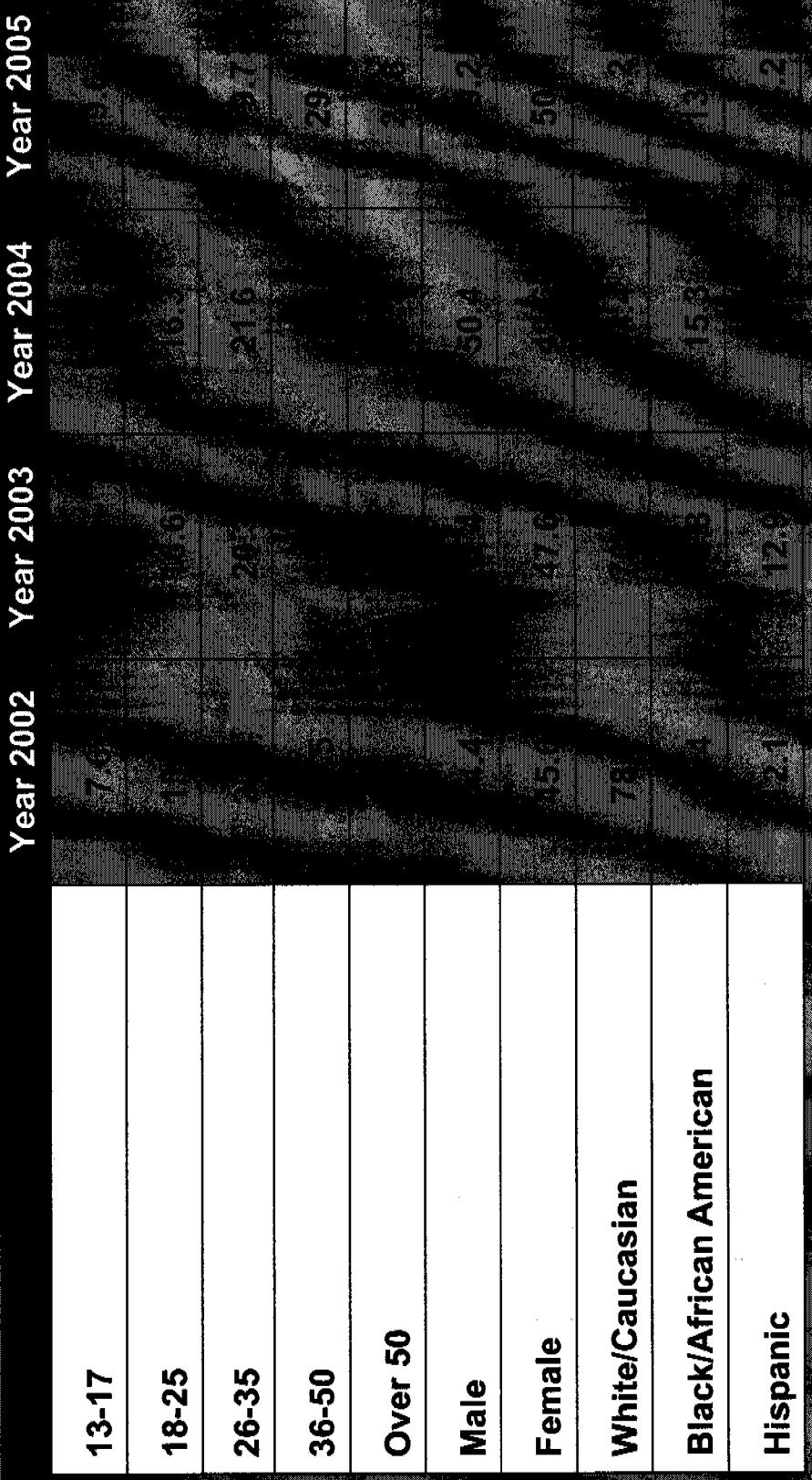


BEHIND EVERY BUSINESS DECISION

CLIPP
group

Online

% of Unit Sales by Demographic Segment



Book Stores

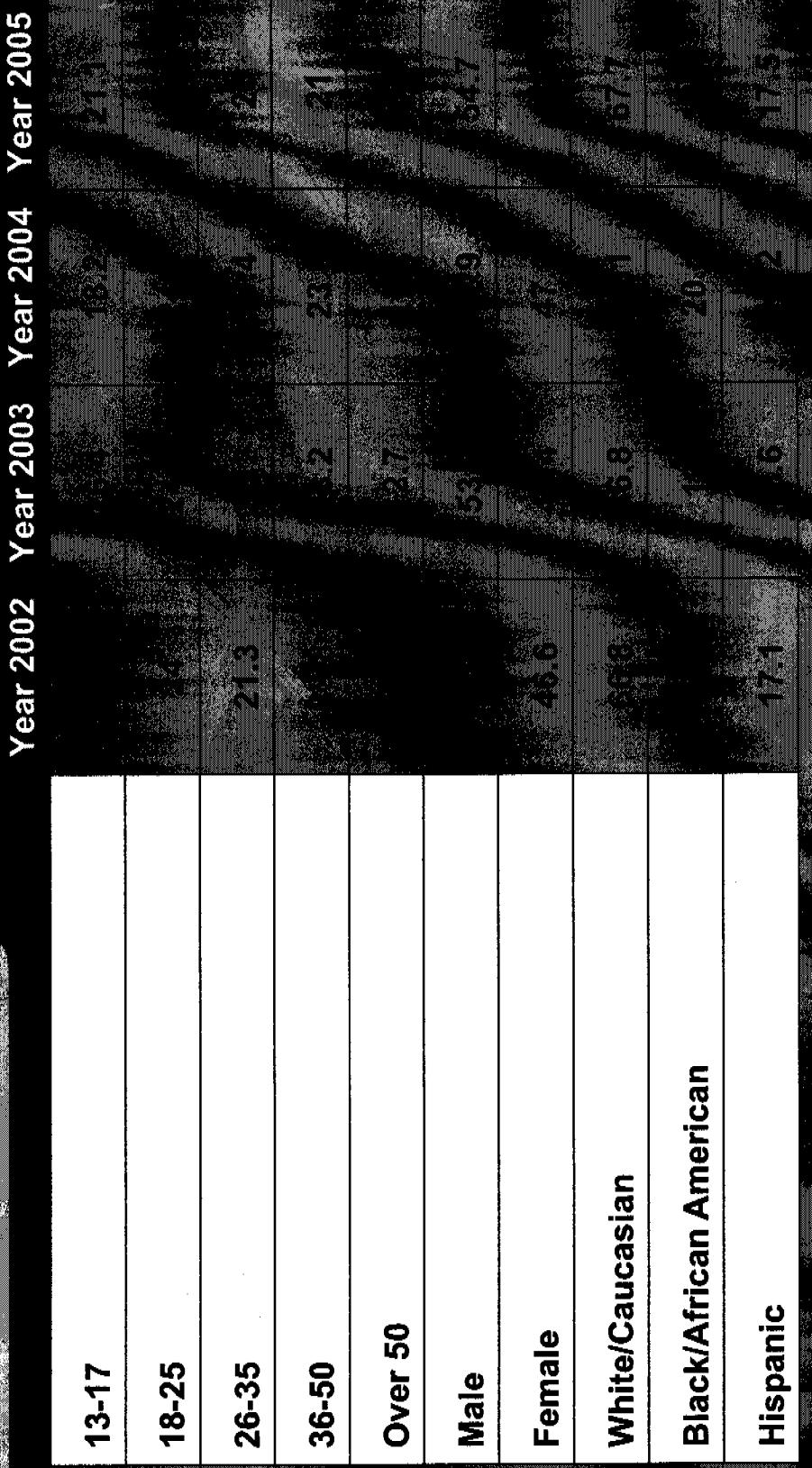
% of Unit Sales by Demographic Segment

	Year 2002	Year 2003	Year 2004	Year 2005
13-17	24	24	24	24
18-25	24	24	24	24
26-35	24	24	24	24
36-50	24	24	24	24
Over 50	24	24	24	24
Male	76	76	76	76
Female	76	76	76	76
White/Caucasian	76	76	76	76
Black/African American	24	24	24	24
Hispanic	24	24	24	24



CD / Record Stores

**% of Unit Sales
by Demographic Segment**



BEHIND EVERY BUSINESS DECISION

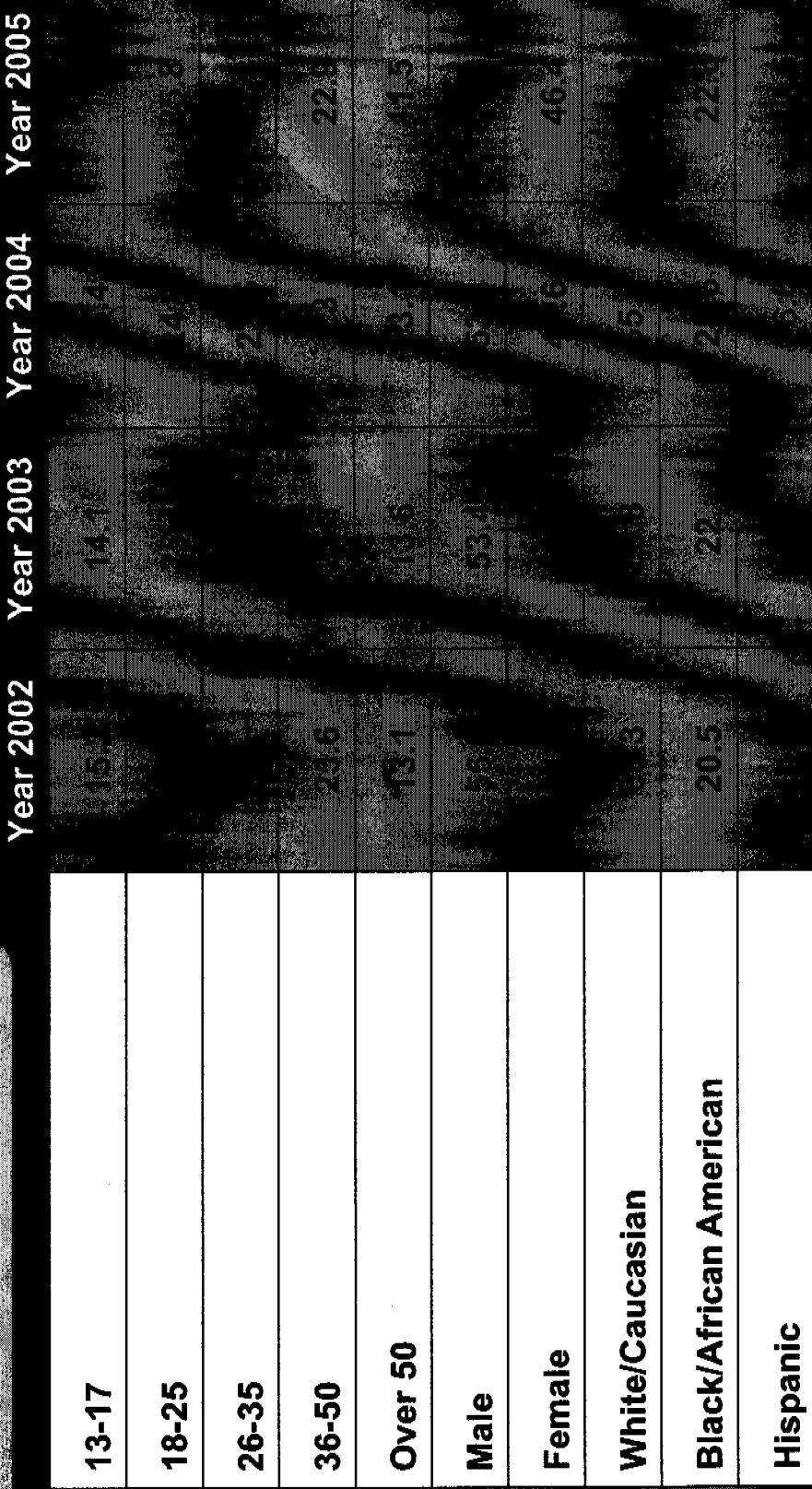
Discount / Mass Merchandiser

% of Unit Sales by Demographic Segment

	Year 2002	Year 2003	Year 2004	Year 2005
13-17	10	10	10	10
18-25	10	10	10	10
26-35	10	10	10	10
36-50	10	10	10	10
Over 50	10	10	10	10
Male	10	10	10	10
Female	10	10	10	10
White/Caucasian	10	10	10	10
Black/African American	10	10	10	10
Hispanic	10	10	10	10

Electronic Specialty

% of Unit Sales by Demographic Segment



Store Traffic



Base: 2,162 respondents who have purchased physical music from a store in the past year



Teece Testimony
Document(s) Cited in Footnote: 35